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Preface

Public Accounts 2006-2007

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Government Accountability Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 20 Ministries.

The annual report of the Government of Alberta released June 21, 2007, contains the Minister of Finance's accountability statement and the consolidated financial statements of the Province. The *Measuring Up* report released June 28, 2007, provides a comparison of the actual performance results to the desired results set out in the government's business plan.

This annual report of the Ministry of Agriculture and Food contains the Minister's accountability statement, the audited consolidated financial statements of the Ministry and a comparison of actual performance results to desired results set out in the Ministry business plan. This Ministry annual report also includes:

- **the financial statements of entities making up the Ministry including the Department of Agriculture and Food, regulated funds and provincial agencies for which the Minister is responsible,**
- **other financial information as required by the *Financial Administration Act* and *Government Accountability Act*, either as separate reports or as a part of the financial statements, to the extent that the Ministry has anything to report, and**
- **financial information relating to trust funds.**

Minister's Accountability Statement

The Ministry's annual report for the year ended March 31, 2007, was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as at September 7, 2007, with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.

[Original signed by]

George Groeneveld
Minister of Agriculture and Food

September 7, 2007

Message from the Minister

The Ministry of Agriculture, Food and Rural Development – now Agriculture and Food (AF) – had a very busy and productive year in 2006-2007. I am pleased to report we met or exceeded the majority of our performance measures as outlined in our business plan.

The Ministry committed $261 million to assist producers whose operations were impacted by rising input costs and falling commodity prices, as part of a disaster declaration issued by the province.

In addition, we committed $70 million to supplement the support provided to agricultural producers under the Canadian Agricultural Income Stabilization (CAIS) program. This Alberta-only initiative will help to address ongoing concerns about the effects of back-to-back disasters in agriculture.

Numerous initiatives focused on keeping Alberta at the forefront. The Ministry committed, with the Government of Canada, nearly $40 million in Alberta's beef industry to help accelerate the elimination of bovine spongiform encephalopathy (BSE) from Alberta's cattle herds.

This marketing work is supported by our efforts to enhance agri-food traceability systems for all species. These systems will achieve emergency management for food safety and public health events, and provide swifter border reopening and market access.

We also ensured that Alberta's agricultural research capacity will continue to grow, for example, by committing $30 million to upgrade the province's greenhouse facilities and to purchase research lands.

With the growing focus on alternate energy, this government committed $239 million over the next five years. This will help position Alberta as a leader in producing renewable energy from organic materials, producing environmentally friendly products and creating markets and process opportunities for Alberta's agriculture industry.

We continued to support and promote the province's rural communities by initiating the $100 million Rural Alberta's Development Fund for distribution to rural initiatives across the province. The Fund is now under the auspices of the Ministry of Employment, Immigration and Industry.

We served Albertans, province-wide, through a number of initiatives, including:

- the Canada-Alberta Farm Water Program
- ongoing support to Alberta's 285 rural agricultural societies for rodeos, fairs and exhibitions across the province
- the new Alberta Soil Information Viewer, available on Alberta Agriculture's website

Consolidating and revising three previous acts, we introduced the *Livestock Identification and Commerce Act* to facilitate fair commerce, increase the protection available for livestock buyers and promote the integrity of marketing practices within the industry.

We supported Alberta's barley producers' desire for marketing choice. Seventy-eight per cent of Alberta's barley farmers voted, in the federal government's barley plebiscite, for the freedom to choose where they sell their product.

Promoting Alberta internationally, we met with representatives from Canada, the United States, the European Union, Japan, Mexico, Korea, China, India, New Zealand, Australia and Malaysia to press for increased market access for all products, elimination of export subsidies and substantial reductions in trade-distorting domestic subsidies.

The Ministry of Agriculture and Food had an exciting year, filled with achievement, change and challenges. As always, our dedicated staff worked hard to ensure the success of our initiatives. I would like to thank our staff, our partners and our stakeholders for their on-going efforts and continued commitment to Alberta's agriculture industry.

Sincerely,

[Original signed by]

George Groeneveld
Minister, Agriculture and Food

Management's Responsibility for Reporting

The Ministry of Agriculture and Food includes:

- *Department of Agriculture and Food*
- *Agriculture Financial Services Corporation*
- *Alberta Grain Commission*
- *The Office of the Farmers' Advocate*
- *Irrigation Council*
- *Agricultural Products Marketing Council*

The executives of the individual entities within the Ministry have the primary responsibility and accountability for the respective entities. Collectively, the executives ensure the Ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and business plans, annual report, quarterly reports and other financial and performance reporting.

Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the Ministry rests with the Minister of Agriculture and Food. Under the direction of the Minister, I oversee the preparation of the Ministry's annual report, including consolidated financial statements and performance results. The consolidated financial statements and the performance results, of necessity, include amounts that are based on estimates and judgments. The consolidated financial statements are prepared in accordance with the government's stated accounting policies.

As Deputy Minister, in addition to program responsibilities, I establish and maintain the Ministry's financial administration and reporting functions. The Ministry maintains systems of financial management and internal control, which give consideration to costs, benefits and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money,
- provide information to manage and report on performance,
- safeguard the assets and properties of the Province under Ministry administration,

- provide Executive Council, Treasury Board, the Minister of Finance and the Minister of Agriculture and Food any information needed to fulfill their responsibilities, and
- facilitate preparation of Ministry business plans and annual reports required under the *Government Accountability Act*.

In fulfilling my responsibilities for the Ministry, I have relied, as necessary, on the executive of the individual entities within the Ministry.

[Original signed by]

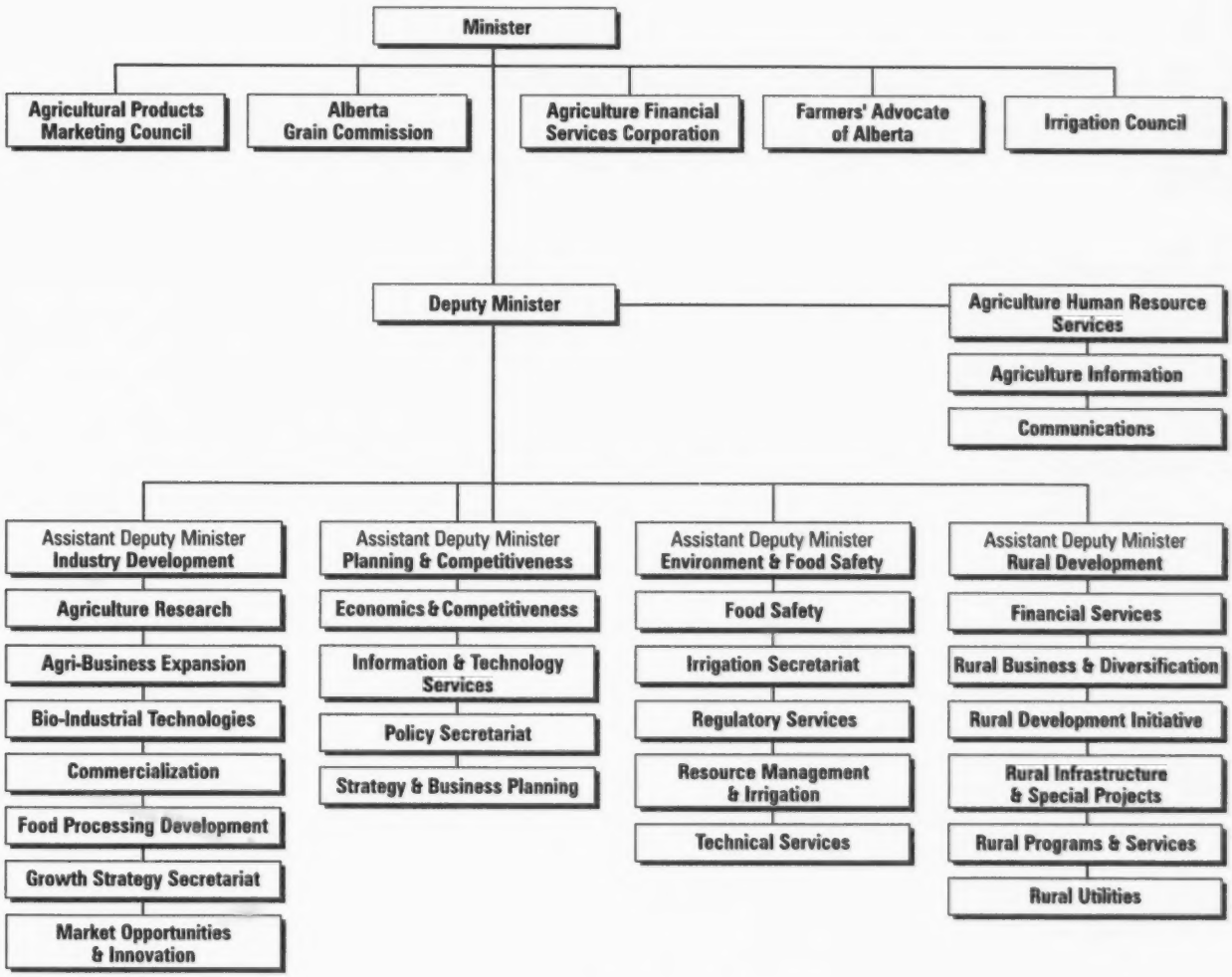
Rory Campbell
Deputy Minister
Ministry of Agriculture and Food

September 7, 2007

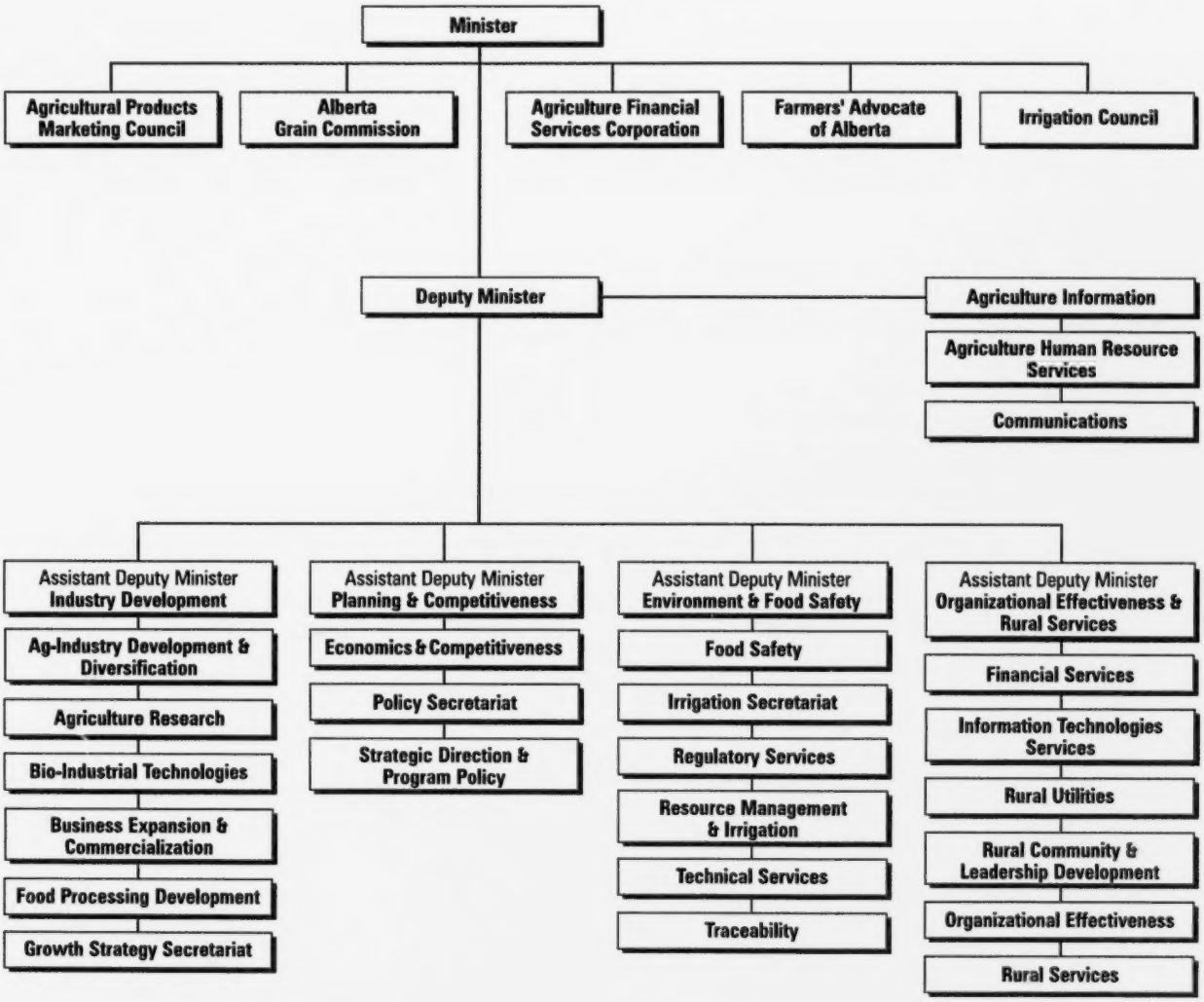
Overview

Charts of Ministry Entities

April 1, 2006



April 1, 2007


Minister
Agricultural Products Marketing Council
Alberta Grain Commission
Agriculture Financial Services Corporation
Farmers' Advocate of Alberta
Irrigation Council
Deputy Minister
Agriculture Information
Agriculture Human Resource Services
Communications
Assistant Deputy Minister Industry Development
Ag-Industry Development & Diversification
Agriculture Research
Bio-Industrial Technologies
Business Expansion & Commercialization
Food Processing Development
Growth Strategy Secretariat
Assistant Deputy Minister Planning & Competitiveness
Economics & Competitiveness
Policy Secretariat
Strategic Direction & Program Policy
Assistant Deputy Minister Environment & Food Safety
Food Safety
Irrigation Secretariat
Regulatory Services
Resource Management & Irrigation
Technical Services
Traceability
Assistant Deputy Minister Organizational Effectiveness & Rural Services
Financial Services
Information Technologies Services
Rural Utilities
Rural Community & Leadership Development
Organizational Effectiveness
Rural Services

Entities – Ministry of Agriculture and Food

Department

The Ministry is divided into the Department of Agriculture and Food and a number of agencies, boards and commissions. The Department is responsible for the management of programs designed to facilitate the development of all components of the agriculture and food industry, to sustain the natural resource base of the industry and to encourage the development of rural communities.

During the 2006-2007 fiscal year, the Ministry reorganized its internal structure to better serve clients. The organizational charts provided on the previous pages show the Ministry structure at the beginning of both the 2006 and 2007 fiscal years. The following descriptions summarize the responsibilities of entities and divisions at the beginning of the 2007 fiscal year. For more information, visit the Ministry web site at **http://www.agric.gov.ab.ca**

Agriculture Human Resource Services

#300, J.G. O'Donoghue Building, 7000 - 113 Street, Edmonton, Alberta T6H 5T6 (780) 422-4623

Human Resource Services is responsible for providing advice and consultation to senior management, line managers and employees on all matters relating to human resource management. This work includes organizational development, compensation and benefit administration, job classification, attraction and recruitment, leadership training and development for staff at all levels, workplace health and wellness, succession planning and talent management, analysis and responses to the annual Corporate Employee Survey, performance management and processes, implementing a comprehensive occupational health and safety program, employee relations and facilitating employee events.

Agriculture Information Division

#100A, J.G. O'Donoghue Building, 7000 - 113 Street, Edmonton, Alberta T6H 5T6 (780) 427-2727

Agriculture Information Division is responsible for the planning, development, organization, evaluation and delivery of information programs including print and electronic publishing, multi-media and Call of the Land radio program. The division also administers the Ministerial action request system (ARTS), Alberta Connects, Legislative Services Team and Regulatory Review, Ministerial Orders and Records Management.

Communications Branch

#100A, J.G. O'Donoghue Building, 7000 - 113 Street, Edmonton, Alberta T6H 5T6 (780) 422-7099

Communications Branch provides communications planning and consulting support to the Minister, Deputy Minister and Department. The branch develops and implements public communications programs that support the Department and government-wide business plan goals, and manages media relations, including the province-wide distribution of news releases and coordination of Department announcements and news conferences.

Environment and Food Safety Sector

Food Safety Division

#905, O.S. Longman Building, 6909 - 116 Street, Edmonton, Alberta T6H 4P2 (780) 427-6159

Food Safety Division provides leadership and support for safe food production systems and global market access for Alberta's agriculture and food industry through information, services and administration of legislation. This work includes partnership in food safety emergency response, support for the development of on-farm production protocols, assistance with Hazard Analysis Critical Control Point program implementation for slaughter and food processing plants, food safety surveillance, animal health surveillance and provision of essential non-routine animal disease investigation services.

Irrigation Secretariat

#328, Provincial Building, 200 - 5 Avenue South, Lethbridge, Alberta T1J 4L1 (403) 381-5176

Irrigation Secretariat provides administrative support to the Irrigation Council, administers the Irrigation Rehabilitation Program and works with irrigation districts to ensure compliance with the *Irrigation Districts Act*.

Regulatory Services Division

2nd Floor, Agronomy Centre, 6903 - 116 Street, Edmonton, Alberta T6H 5Z2 (780) 422-7197

Regulatory Services Division is responsible for validating the safe production of meat and meat products through provincially-licensed meat facilities, as well as ensuring compliance to assigned legislation. The division is also responsible for the administration of 14 statutes and 30 regulations, and for maintaining and enhancing public confidence by ensuring consistency and co-ordination through investigation and enforcement activities as required.

Resource Management and Irrigation Division

#206, J.G. O'Donoghue Building, 7000 - 113 Street, Edmonton, Alberta T6H 5T6 (780) 422-4596

Resource Management and Irrigation Division provides policy advice and oversees the planning, delivery and evaluation of irrigation management and development as well as environmentally sustainable agriculture programming. Program areas include soil conservation, water and air quality, greenhouse gases and climate change, irrigation development and management as well as resource conservation. The division also manages the Alberta Environmentally Sustainable Agriculture program.

Technical Services Division

#306, J.G. O'Donoghue Building, 7000 - 113 Street, Edmonton, Alberta T6H 5T6 (780) 422-5000

Technical Services Division directs and coordinates programs and policies to support the sustainable growth and development of the agriculture industry through the development of legislation and provision of technical expertise for the development of standards, science, information and tools for sustainable development of confined feeding operations and livestock welfare as well as quality farm water supplies for domestic and livestock use and the evaluation and adaptation of technologies and systems related to manure management, air and water quality and odour management, bio-energy and rural growth.

Program areas include livestock welfare, on-farm water management, manure management and environmental practices, bio-energy, energy efficiencies and technology evaluation related to sustainable livestock production.

Traceability

#300, J.G. O'Donoghue Building, 7000 - 113 Street, Edmonton, Alberta T6H 5T6 (780) 644-2296

Traceability provides policy advice on matters relating to Alberta and national traceability initiatives and issues. The branch works with Alberta's agriculture agri-food industry to foster industry acceptance and implementation of traceability systems within the respective sectors.

Program areas include undertaking the necessary projects to understand and demonstrate the value of traceability to Alberta's agriculture and agri-food industry, linking the traceability systems to the national and provincial emergency response systems and partnering to create infrastructure to enhance business and market opportunities, i.e., reduce costs, increase value-added opportunities, improve logistics/transportation and simplify processes.

Industry Development Sector

Ag-Industry Development and Diversification Division

Provincial Building, 4709 - 44 Avenue, Stony Plain, Alberta T7Z 1N4 (780) 968-3557

Ag-Industry Development and Diversification Division works with industry organizations and businesses looking to diversify or to continue development of their individual or collective business opportunities. The division works with individual companies and industry groups to provide technical expertise and coaching in areas of marketing, business arrangements, value chains, taxation, investment vehicles and new venture opportunity assessment and development. The division provides support to researchers in linking their research to a business opportunity.

The division manages the Canada-Alberta Collateral and Carry Forward Agreement under the Renewal Chapter of the Agricultural Policy Framework, the Agriculture Opportunity Fund, the Alberta Approved Farmers' Market Program and the Woodlot Extension Program.

Agriculture Research Division

#204, J.G. O'Donoghue Building, 7000 - 113 Street, Edmonton, Alberta T6H 5T6 (780) 427-5341

The Agriculture Research Division provides research expertise and knowledge through multi-disciplinary project teams focused on specific industry challenges. The division supports the research needs of primary agriculture. Information generated by this research enables the manufacturing of plant and animal-based feed, food and industrial products. Research activities provide information that is targeted, innovative, proactive and related to market forces. As a critical link in numerous value chains, the division facilitates Alberta's primary agriculture industry to meet the needs of its customers.

Bio-Industrial Technologies Division

5712 - 48 Avenue, Camrose, Alberta T4V 0K1 (780) 679-5172

The Bio-Industrial Technologies Division was created in recognition of the tremendous agricultural opportunities for non-food industrial products. The division supports the technical development of advanced materials and composite products incorporating refined agricultural fibers as well as improving the functionality of existing synthetic fiber though new process engineering, extraction and refining of agricultural fiber sources. In partnership with industry, division staff are working to establish a bio-refining suite of chemical and biological processing capacity. Staff and our partners are working to build the skill set to refine, extract and fraction cereal and lipid based crops into fine chemical constituents and industrial ingredients for the manufacture of polymers, resins, cosmetics and fuels.

Business Expansion and Commercialization Division

Provincial Building, 4709 - 44 Avenue, Stony Plain, Alberta T7Z 1N4 (780) 968-3557

Business Expansion and Commercialization Division works with agri-business and industry engaged in the commercialization process to increase their business success rate. The division works with individual companies and with industry groups to provide technical expertise and coaching in areas of marketing, business finance, human resources, value chains, taxation, investment vehicles, and lean manufacturing. The division provides support to researchers in linking their research to a business opportunity.

The division provides technical expertise to companies working within the AgriValue Business Incubator. The division also manages the Canada-Alberta Collateral Agreement under the Renewal Chapter of the Agricultural Policy Framework.

Food Processing Development Division

6309 - 45 Street, Leduc, Alberta T9E 7C5 (780) 986-4793

The Food Processing Development Division focuses on the value-added processing of agriculture commodities through laboratory development, applied research and pilot plant scale up to develop new products, introduce new technologies and improve existing processes. The division also has a strong focus on the development of new companies and the attraction of new food processors to Alberta. Programming is delivered through four units: the Food Processing Development Centre, the Food Science and Technology Centre, the Consumer Products Testing Centre and the Agrivalue Processing Business Incubator.

Growth Strategy Secretariat

#304, J.G. O'Donoghue Building, 7000 - 113 Street, Edmonton, Alberta T6H 5T6 (780) 644-2405

The Growth Strategy Secretariat manages the Agriculture Growth Strategy and tracks progress towards the goal of attaining $20 billion in value-added processing and $10 billion in primary production. The Secretariat leads the Industry Development Sector's planning, management, monitoring and reporting processes. It also executes initiatives to build organizational and leadership capabilities in the sector. The Secretariat consists of four areas: Growth Strategy Management; Leadership and Organizational Development, Opportunity Assessment and Growth Strategy Theme Strategic Leadership.

Financial Services

#307, J.G. O'Donoghue Building, 7000 - 113 Street, Edmonton, Alberta T6H 5T6 (780) 422-5629

Financial Services provides strategic leadership in the areas of financial planning and analysis, accounting and reporting as well as financial accountability.

Information Technology Services Division

#203, J.G. O'Donoghue Building, 7000 - 113 Street, Edmonton, Alberta T6H 5T6 (780) 427-2101

Information Technology Services Division works in partnership with the business units to optimize program delivery, contribute to business innovation and increase efficiencies through enabling modern technologies. This work includes offering expertise and advice on the use and development of technology solutions. In addition, the division provisions a secure, robust and reliable technology infrastructure necessary to support the Ministry's requirements for electronic service delivery.

Organizational Effectiveness

#300, J.G. O'Donoghue Building, 7000 - 113 Street, Edmonton, Alberta T6H 5T6 (780) 422-6166

Organizational Effectiveness is responsible for providing strategic corporate services and effective processes for the Ministry. These services include business planning, annual reporting and process review and integration. This area also increases overall Ministry efficiency by developing tools and techniques to improve knowledge management, records management, facilities management, and ensuring that the Ministry is in compliance with all Freedom of Information and Protection of Privacy regulations.

Rural Community and Leadership Development Division

#200 J.G. O'Donoghue Building, 7000 - 113 Street, Edmonton, Alberta T6H 5T6 (780) 422-6166

Rural Community and Leadership Development Division develops and manages community-based programs that foster rural development through support to rural organizations such as agricultural service boards, agricultural societies, and 4-H clubs and councils. The division is also responsible for developing and delivering educational, leadership and training programs such as Green Certificate, 4-H, home study, agricultural awareness and farm safety in partnership with community and agricultural organizations.

Rural Services

#300, J.G. O'Donoghue Building, 7000 - 113 Street, Edmonton, Alberta T6H 5T6 (780) 422-6166

Rural Services is responsible for sharing information and managing partnership agreements such as the Feeder Association Guarantee Program with valued rural clients and industry partners. Division staff provide the first point of contact for the public to departmental personnel, services and programs and often to industry partners, through the Ag-Info Centre's toll-free number (310-FARM) and through administrative assistants in regional offices. Resource Agents are the first point of contact for the Centre and provide project support and manage information for the Ministry, ensuring information is readily accessible to Alberta's agriculture and food industry, and the world, in collaboration with the Ropin' the Web internet site at www.agric.gov.ab.ca

Rural Utilities Division

#200, J.G. O'Donoghue Building, 7000 - 113 Street, Edmonton, Alberta T6H 5T6 (780) 427-0125

Rural Utilities Division administers the Rural Gas, Rural Electric and Remote Area Heating Allowance (RAHA) program areas. The Rural Gas and Rural Electric are cost-sharing programs that help defray the high cost of constructing natural gas and electrical systems in rural areas. The RAHA program provides rebates on the cost of propane or fuel oil for individuals who are unable to obtain natural gas service at a reasonable cost.

The division also administers the *Rural Utilities Act*, which provides the framework for the establishment and management of business affairs for approximately 280 rural gas, electric and water associations in the province. In addition, the division also administers the *Gas Distribution Act*, which governs the issuing of franchise areas and the setting of all standards relating to the design, construction, operation, maintenance, quality assurance and plant records for rural gas utilities.

Planning and Competitiveness Sector

Economics and Competitiveness Division

#303, J.G. O'Donoghue Building, 7000 - 113 Street, Edmonton, Alberta T6H 5T6 (780) 422-3771

The Economics and Competitiveness Division is a source of economic, competitiveness, market and statistical research dealing with strategic issues affecting Alberta's agriculture and agri-food industry. This research includes applied economic and competitiveness analysis, benchmarking, statistical information, analysis of international markets, consumer behavior and emerging industry trends. The division adds value to information relating to the value-chain from production to consumption. In partnership with other divisions, the division is responsible for playing an advocacy role for Alberta's agriculture and agri-food industry as well as leading and coordinating international relations efforts at key forums, conferences and discussions with priority international partners.

Policy Secretariat

#300, J.G. O'Donoghue Building, 7000 - 113 Street, Edmonton, Alberta T6H 5T6 (780) 422-2070

Policy Secretariat provides advice and recommendations and undertakes corporate projects to improve the policy and planning decisions of the Ministry. The Secretariat examines domestic, national and international policies, assesses their potential effect on Alberta's agriculture and food industry and makes recommendations on how the Ministry should respond to these challenges. The Secretariat plays an advocacy role for Alberta's agriculture, agri-food and agri-products industry at national and international forums. The Secretariat currently concentrates on emerging issues in trade, innovation/biotechnology, research, environment, land use planning and domestic policy.

Strategic Direction and Program Policy Division

#200, J.G. O'Donoghue Building, 7000 - 113 Street, Edmonton, Alberta T6H 5T6 (780) 422-9167

Strategic Direction and Program Policy is responsible for providing strategic corporate services to the Ministry. These services include developing and implementing effective processes for strategic planning including the monitoring of key trends and issues facing the Ministry.

Division staff are also responsible for program policy development, program evaluation and negotiating and managing federal funding requirements under the Agricultural Policy Framework (APF), as well as managing Alberta's obligations under specific federal/provincial bilateral companion agreements. Further, the division is responsible for coordinating and integrating Alberta's input into the development of APF II.

The division delivers several farm income assistance programs, including the Canada-Alberta Farm Water Program and payments under the Canada-Alberta BSE Surveillance Program. The division jointly delivers assistance under the Alberta Farm Fuel Benefit Program with Agriculture Financial Services Corporation and delivers the agriculture component of Disaster Recovery Programs.

Agencies, Boards and Commissions

Agriculture Financial Services Corporation (AFSC)

Lacombe Central Office, 5718 - 56 Avenue, Lacombe, Alberta T4L 1B1 (403) 782-8200

Camrose Central Office, 4910 - 52 Street, Camrose, Alberta T4V 4E8 (780) 679-1311

AFSC provides a wide variety of risk management products and financial services to fit the business needs of farmers, the agriculture industry and small businesses in Alberta. It offers unique financial products and services not readily available from conventional sources to the industry.

AFSC provides insurance products to mitigate risks related to crop production, including hay and pasture. AFSC also offers waterfowl and wildlife damage compensation to help Alberta farmers protect against production losses on their farms. It also delivers the Canadian Agricultural Income Stabilization (CAIS) Program, a whole-farm program that provides compensation for decline in farm margin relative to historical margin for eligible producers regardless of the commodities they produce. AFSC offers agriculture financial services such as farm loans and guarantees for new and expanding farm businesses, and financing for those facing disastrous reductions in farm production or income. AFSC also provides and facilitates sourcing of financing for companies in the agri-food and value-added industry, as well as the small business sector, with an emphasis on rural Alberta.

AFSC produces a separate annual report. Copies are available electronically through the AFSC website: www.AFSC.ca

Agricultural Products Marketing Council

#305, J.G. O'Donoghue Building, 7000 - 113 Street, Edmonton, Alberta T6H 5T6 (780) 427-2164

Agricultural Products Marketing Council advises the Minister on matters related to the establishment, operation and management of the boards and commissions established under the *Marketing of Agricultural Products Act*. The Council provides assistance and advice to boards and commissions on board governance, leadership development, strategic and business planning. Council facilitates industry-oriented development through enabling legislation and encourages support to research and value-added opportunities and enhanced value chain relationships.

Alberta Grain Commission

#305, J.G. O'Donoghue Building,. 7000 - 113 Street, Edmonton, Alberta T6H 5T6 (780) 427-7329

Alberta Grain Commission advises the Minister on issues and trends in the grain industry, conducts on-going examination of all facets of the industry and provides an information service, which includes daily grain price information.

Irrigation Council

#328, Provincial Building, 200 - 5th Avenue South, Lethbridge, Alberta T1J 4L1 (403) 381-5176

Irrigation Council, established under the *Irrigation Districts Act*, makes recommendations to the Minister on any matter under the Act, particularly on issues related to maintaining a strong, efficient and sustainable irrigation industry. The Council acts as an appeal body in accordance with the Act and approves projects and establishes polices for provincial cost-shared funding, to ensure accountability of the public's ongoing investment in irrigation district water conveyance infrastructure.

Office of the Farmers' Advocate of Alberta

#305, J.G. O'Donoghue Building, 7000 - 113 Street, Edmonton, Alberta T6H 5T6 (780) 427-2433

Office of the Farmers' Advocate provides the Minister with information on issues concerning rural Albertans. The office works closely with agricultural interest groups, Alberta Environment, Alberta Energy, Alberta Sustainable Resource Development (SRD), and other levels of government to formulate policy recommendations and procedures that affect the rural community. The office works with surface rights groups and landowners on surface lease and freehold mineral lease issues; provides dispute resolution services, advice and information to individual farmers or agricultural associations on issues that affect rural Albertans and is also responsible for the contract for the AFSC/SRD Hail and Crop, Grazing Disposition and Lending Agricultural Development Committee reviews.

The office is also responsible for administering the *Farm Implement Act, Farm Implement Dealerships Act,* Water Well Restoration or Replacement Program, Wild Fire Cost Assessment Review and Part 1 of the *Agricultural Operation Practices Act.*

Operational Overview

Ministry's Core Businesses

The Ministry contributes to three of the government's four key opportunities. Unleashing Innovation, Competing in a Global Marketplace and Making Alberta the Best Place to Live, Work and Visit. The primary focus of Alberta Agriculture and Food is on Government of Alberta Goal 1, Alberta will have a diversified and prosperous economy under the key opportunity of Unleashing Innovation. The Ministry achieves this by working with others to promote prosperity for Alberta through a strong, competitive, sustainable agriculture and food industry.

Ministry Core Businesses

- Facilitate sustainable industry growth
- Enhance rural sustainability
- Strengthen business risk management

Each of the six Ministry goals contributes to the achievement of these core businesses. The results constitute the role of Alberta Agriculture and Food in contributing to the Government of Alberta's core performance measures. The Results Analysis of this annual report presents a comprehensive discussion of the Ministry goals, performance measures and results of operations for the fiscal year 2006-2007.

Costs for Core Business

(unaudited)

(thousands of dollars)

Core Businesses	2006-2007 Estimates	2006-2007 Actual	2005-2006 Actual
Facilitate sustainable industry growth	$ 232,971	$ 232,261	$ 237,339
Enhance rural sustainability	58,121	55,620	58,600
Strengthen business risk management	749,589	828,171	803,068
Ministry Expense	**$1,040,681**	**$1,116,052**	**$1,099,007**

Highlights of changes in the Ministry's spending are as follows:

Strengthen business risk management – expenses increased by $78.6 million over budget primarily due to two enhancements to the Canadian Agricultural Income Stabilization (CAIS) program, the Alberta Margin Enhancement and the Alberta Reference Margin Initiative. These increases were partially offset by lower production insurance indemnities and the change in estimates for prior year CAIS accruals. Expenses were $25.1 million higher than 2005-2006 resulting from the CAIS enhancements, which were partially offset by lower production insurance expenses and the discontinuation of BSE recovery programs in July 2005.

Expense By Function

All Ministry expenses, with the exception of debt servicing costs, are reported under the Government of Alberta function: Agriculture, Resource Management and Economic Development.

Overall Ministry Operations and Services

Here are the overall Ministry budget and actual operating results for all Ministry entities:

(unaudited)

(thousands of dollars)

	2006-2007 Budget	2006-2007 Actual	2005-2006 Actual
Revenues	$ 546,719	$ 531,428	$ 575,864
Expenses	1,040,681	1,116,052	1,099,007
Gain (Loss) on disposal of assets	–	269	(21)
Excess of expenses over revenues	**$ 493,962**	**$ 584,355**	**$ 523,164**

AUDITOR GENERAL *Alberta*

REPORT OF THE AUDITOR GENERAL ON THE RESULTS OF APPLYING SPECIFIED AUDITING PROCEDURES TO PERFORMANCE MEASURES

To the Members of the Legislative Assembly

Management is responsible for the integrity and objectivity of the performance results included in the *Ministry of Agriculture and Food's 2006-2007 Annual Report*. My responsibility is to carry out the following specified auditing procedures on performance measures in the annual report. I verified:

Completeness

1. Performance measures and targets matched those included in Budget 2006. Actual results are presented for all performance measures (see exception below).

Reliability

2. Information in reports from external organizations, such as Statistics Canada, matched information that the Ministry used to calculate the actual results.
3. Information in reports that originated in the Ministry matched information that the Ministry used to calculate the actual results. In addition, I tested the processes the Ministry used to compile the results.

Comparability and Understandability

4. Actual results are presented clearly and consistently with the stated methodology and are presented on the same basis as targets and prior years' information.

I found an exception for the measure *Per cent of Alberta Production Produced under On-Farm Food Safety Programs: Beef Feedlots.* There was no data reported for the measure; therefore, I was not able to complete procedures one to four above. Management explains in the Results Analysis under Goal 2 why data was not reported.

As my examination was limited to these procedures, I do not express an opinion on whether the set of measures is relevant and sufficient to assess the performance of the Ministry in achieving its goals.

[Original signed by Fred J. Dunn]
FCA
Auditor General

Edmonton, Alberta
August 8, 2007

[The official version of this Report of the Auditor General, and the information the Report covers, is in printed form.]

Results Analysis

Results of Operations

The Ministry's financial results show consolidated revenues of $531.4 million in 2006-2007, which is a $44.4 million decrease in revenues from 2005-2006 and $15.3 million lower than budget. Consolidated expenses were $1,116.1 million. This figure is $17 million higher than in 2005-2006 and $75.4 million higher than budget. The net operating deficit was an excess of expenses over revenues of $584.4 million, which is $61.2 million lower than in 2005-2006 and $90.4 million higher than budget.

Revenues

Revenues decreased by 7.7 per cent from the previous year. They were down $44.4 million and, as noted above, were $15.3 million lower than budget.

Revenue was lower than budget mainly because of reduced federal contributions for the Canadian Agricultural Income Stabilization (CAIS) program resulting from the change in estimates for prior year accruals. These reductions were partially offset by CAIS program fees, production insurance investment income and a one-time refund from the termination of group creditor insurance.

Revenue picture highlights include the following:

- Transfers from the government of Canada decreased $52.7 million from budget and $48.4 million from 2005-2006, resulting primarily from the change in estimates for prior year accruals for the CAIS program.
- Fees, permits, licenses and other income was $17.6 million higher than budget due to the introduction of the 2006 CAIS program fee and a one-time refund from the termination of group creditor insurance.
- Interest and investment income was $11.1 million higher than budget and $14.1 million higher than 2005-2006 due to an increase in the crop insurance fund investment portfolio resulting from better than average crop yields.
- Premiums from insured persons were $8.8 million higher than budget due to higher participation in Spring Price Endorsement and straight hail insurance. Premium revenues were $9.1 million lower than 2005-2006 receipts resulting from a one-time 20 per cent reduction in producer premiums, partially offset by an increase in participation in Spring Price Endorsement.

Expenses Compared to Budget

Expenses were $90.4 million higher than budget primarily as a result of additional funding for the CAIS Alberta Margin Enhancement and the Alberta Reference Margin Initiative. These increases were partially offset by lower production insurance indemnities and the change in estimates for prior year CAIS accruals.

- Farm Income Support payments were $234.8 million over budget. Program payments for the CAIS program were significantly higher than budget as a result of two Alberta initiatives announced during the year: the Alberta Margin Enhancement and the Alberta Reference Margin Initiative.
- Insurance expenses were $158.1 million lower than budget. Favourable crop conditions and commodity prices resulted in lower production insurance indemnity payments from budget, which is based on historical averages.
- Environment and Food Safety expenses were $15.4 million lower than budget primarily resulting from lower than anticipated costs for the Specified Risk Material (SRM) Disposal program due to delays in finalization of the program with the federal government.
- Infrastructure assistance expenditures were $21.5 million higher than budget. Treasury Board approved an increase in irrigation infrastructure assistance grants in 2006-2007 to utilize surplus funds from the SRM Disposal program. In addition, a supplementary estimate provided increased funding for the Municipal Wastewater Infrastructure Assistance program.
- Debt servicing costs were $3.2 million lower than budget resulting from lower than budgeted interest rates.

Expenses Compared to 2005-2006

Expenses were $17 million higher than last year. Spending highlights for 2006-2007 compared to 2005-2006 are as follows:

- Farm Income Support payments were $81 million higher than in 2005-2006 due to the CAIS Alberta Margin Enhancement and Alberta Reference Margin Initiative programs. These increases were partially offset by the change in estimates for prior year CAIS accruals.
- Insurance expenses were $39.1 million lower than those in 2005-2006 due to reduced indemnity payments for production insurance resulting from the favourable crop conditions in 2006. These indemnities were partially offset by increased indemnity payments for hail insurance and wildlife damage compensation.
- BSE Recovery Program expenditures, which were $18.9 million the previous year, were not incurred in 2006-2007. The BSE Fed Cattle Set-Aside Program was completed in July 2005 due to the U.S. border reopening to live beef exports.
- Industry Development expenses were $36.2 million lower than 2005-2006. Additional funding was provided in 2005-2006 for new initiatives to support the development of new products in the industry, including market recovery and value-added research, agri-business expansion and commercialization.
- Environment and Food Safety expenses were $5.2 million higher than the previous year primarily due to funding for the SRM Disposal program.
- Infrastructure Assistance program expenses were $21.1 million higher than 2005-2006. Treasury Board approved an increase in irrigation infrastructure assistance grants in 2006-2007 to utilize surplus funds from the SRM Disposal program. In addition, a supplementary estimate provided increased funding for the Municipal Wastewater Infrastructure Assistance program. These increases are partially offset by the one-time spending in 2005-2006 for industrial and environmental infrastructure assistance for beef processing.
- Valuation adjustments were $4.9 million higher than the previous year due to better than expected results in lending portfolios in 2005-2006.

Performance Measures Summary

For more information regarding performance measures, please refer to the follow sections: Core Businesses, Goals and Measures and Performance Measures Methodology.

Performance measures continue to be refined as programs evolve. Measures are focused on areas where the Ministry has the opportunity to influence outcomes.

Targets for the performance measures were established based on research at the time the business plan was written. Summary tables, including the targets, forecasts for the fiscal year and the results, are included later in this document.

Core Business One: Facilitate Sustainable Industry Growth

Goal 1: Sustainable Growth of the Agriculture and Food Industry

The Ministry contributes to this goal by encouraging new and diversified product development and investment (primary and value-added food and non-food products) and facilitating long term sustainable growth in established sectors.

The performance measures for this goal were designed to measure areas where the Ministry has some influence over growth of the industry.

Forecasted performance was achieved or exceeded for the following measures:

1a Number of value-added products developed and successfully introduced to market with assistance from the Ministry.

1c Investment supported by AFSC lending services.

Forecasted performance was not achieved for the following measure:

1b Research and development investment by collaborators leveraged through Ministry resources.

Goal 2: Continued Excellence in Food Safety

The Ministry contributes to this goal by promoting implementation of food safety process control systems throughout the food production continuum, through development and administration of essential food safety legislation, regulations and policy and through food safety surveillance systems that ensure consumer confidence and market access.

The measures for this goal recognize the importance of monitoring the adoption and implementation of food safety process control systems for, and in partnership with, the agriculture and food industry.

Forecasted performance was achieved or exceeded for the following measures:

2a Number of surveillance and monitoring initiatives designed to measure hazards in food production.

2b Per cent of Alberta production produced under on-farm food safety programs.

- chicken farms
- hog farms

2c Per cent of Alberta licensed food production facilities that have added a preventative system to their existing food safety system.

- meat – Meat Facilities Standards version II

Forecasted performance was not achieved for the following measures:

2b Per cent of Alberta production produced under on-farm food safety programs.

- beef feedlots
- dairy

2c Per cent of Alberta licensed food production facilities that have added a preventative system to their existing food safety system.

- meat – Alberta Hazard Analysis Critical Control Point Advantage Program
- dairy

Core Business Two: Enhance Rural Sustainability

Goal 3: Improved Environmental Stewardship

The Ministry contributes to this goal through essential policy, legislation, information and services related to soil conservation, water quality, air quality, climate change and biodiversity.

The measures for this goal target outcomes and outputs related to the Ministry's work in providing information, training and support to industry related to environmentally sustainable agriculture practices.

Forecasted performance was achieved or exceeded for the following measure:

3b Number of producers provided with training and technical support to enable development of environmental farm plans.

Forecasted performance was not achieved for the following measure:

3a Percentage of producer survey respondents who have adopted improved environmentally sustainable agriculture practices (formal evaluation every three years; next survey to be completed in 2006-2007 and reported in 2007-2008).

Goal 4: Strengthened Rural Communities

The Ministry contributes to this goal by working to strengthen rural communities through involvement in facilitation, leadership development and infrastructure development.

The measures for this goal target areas that contribute to strong rural communities and the Ministry's ability to affect the viability of those communities.

Forecasted performance was achieved or exceeded for the following measures:

4b Total investment leveraged in rural businesses facilitated through AFSC lending services.

4c Percentage of Ministry supported, agricultural-related community activities that focus on leadership development.

4d Percentage of rural youth and adults participating in Ministry supported programs that report effective learning from those programs.

Forecasted performance was not achieved for the following measure:

4a Number of rural businesses assisted by AFSC lending services.

Core Business Three: Strengthen Business Risk Management

Goal 5: Effective Risk Management Decisions by Agricultural Business Managers

The Ministry contributes to this goal by working cooperatively with service providers to target business management training and information dissemination, allowing managers to adopt the most economical and effective management practices to sustain their business.

The measure for this goal tracks the use of risk management tools, for which the Ministry and partners are providing training and information, by agricultural business managers.

Forecasted performance was not achieved for the following measure:

5a Percentage of managers surveyed indicating the use of risk management tools for improved decision-making.

Goal 6: Effective Programs for Industry Competitiveness and Growth

The Ministry contributes to this goal by providing appropriate support through programs such as the Canadian Agricultural Income Stabilization Program (CAIS), crop insurance, drought preparedness and disaster recovery initiatives.

The measures for this goal are intended to report on the effectiveness of business risk management programming. Some of the measures have been modified to help assess the effectiveness of the business risk management programs when disastrous events occur in the agriculture industry.

Forecasted performance was achieved or exceeded for the following measure:

6a Percentage of eligible seeded acres for major crop insurance categories insured under production insurance.

- annual crops

Forecasted performance was not achieved for the following measures:

6a Percentage of eligible seeded acres for major crop insurance categories insured under production insurance.

- perennial crops

6b Percentage of Alberta farm cash receipts represented by Alberta participants in the CAIS Program

Future Challenges

The Ministry's measures are intended to show the effects the Ministry has on the three core business areas. However, the goals and measures are also affected by challenges inherent in the industry. It is, therefore, vital for the Ministry to continually assess, anticipate, evaluate and plan to respond to future challenges. The measures the Ministry uses to track progress towards its goals will also need to be refined accordingly as challenges and opportunities arise.

Major influences on Alberta's agriculture and food industries:

Weather

Weather is one of the major sources of risk and uncertainty in agricultural production. A review of data from the crop insurance program illustrates the kind of effect weather can have on agriculture production. For example, the year 2002 saw the most widespread and severe drought Alberta has experienced in recorded history. Insurance payments for crops exceeded $800 million, and cattle producers were forced to reduce their herds because of feed shortages. The Ministry and the industry need to constantly assess, anticipate and plan to meet the ongoing challenges weather poses throughout the entire agriculture value chain.

Global Trade

Alberta's agriculture and food industry derives a substantial portion of annual revenue from global trade. International trade, however, is affected by a host of factors, some of which are not entirely under the industry's control. Chief among these are the global demand and supply for food products and national farm policies that impact trading practices. Maintaining and expanding market access and continuously improving the capacity to produce and deliver products to global customers at competitive prices present challenges and opportunities for the future.

Increasing market access is a complex process as increased access for Alberta generally creates opportunities for other countries and increases competition for Alberta products. In particular, Alberta's industry faces stiff competition from such relatively low cost producers as Brazil, Russia, India and China.

Competitors from emerging countries are also likely to face less evolved regulatory requirements, particularly for environmental protection and working conditions, contributing to competitive advantages in the global marketplace. However, as labour, land and other input costs rise around the globe, it is possible that the cost advantages in these countries will be reduced.

Currency and Interest Rate Effects

The appreciation of the Canadian dollar relative to the U.S. dollar negatively impacts revenues received for Alberta exports. Conversely, a stronger Canadian dollar makes imported inputs more attractive for Alberta producers (e.g. machinery, equipment, agricultural chemicals and feeds.) Given the greater magnitude of Alberta's annual agri-food exports relative to its input imports, the appreciation of the Canadian dollar will pose challenges for the industry. In the long run, however, the appreciation of the Canadian dollar may encourage or induce improved productivity and efficiency to facilitate sustained profitability.

Interest rates can also have a significant effect on agriculture and agri-food businesses. Many producers use operating loans to ensure regular cash flow to their business. Food processors use loans to finance new investments and capital expenditures. Higher interest rates can have a dampening effect on investment and significantly increase the cost of servicing operating loans.

Evolving Consumer Demands

Consumer tastes, preferences and incomes are continually evolving. Current shifts in North American consumer demographics (i.e., aging population and increasing immigration) have significant implications for Alberta's agriculture and food industry. For example, recent polls suggest that consumers over the age of 50 spend more money than younger consumers on items such as fruit nectars, wine/liquor, carbonated and soda water, coffee and tea, vitamins, minerals, supplements and herbal remedies. An increasing number of dual-income families have resulted in increased demand for home meal replacements. As well, rising middle class incomes in developing countries, particularly in India and China, are expected to increase demand for proteins and other higher quality food products.

Consumers particularly in Europe and North America seem to increasingly attach importance not just to the quality of food products, but also to ethical considerations regarding food production. For example, consumers are expressing concern about animal welfare, the environment, biotechnology and the management of such resources as air, land and water. The ability of the agriculture and food industry to assess the challenges posed by these multi-faceted issues and seize the opportunities inherent in these challenges will greatly influence the future direction of the industry.

Competing Demands for Land, Water and Human Resources

Many of the resources required by the agriculture and food industry are becoming increasingly difficult to obtain due to limited supply and heightened competition from other sectors of Alberta's thriving economy.

Competition for farmland from other sectors, such as oil and gas exploration and extraction and the expansion of urban centers and residential acreages, drives up the price of farmland. Water resources are also facing increased demands, especially in Southern Alberta, resulting in reduced availability of water for farming and food processing. Consumer concern for the environment, as

well as demand for environmental benefits, and an increasing desire for landscape amenities also limits both the availability of land for farming and the type of farming practices employed.

Current labour shortages are another factor the agriculture and food industry has to contend with. Difficulties in accessing labour pose a serious threat to industry growth. The demand for workers in Alberta's thriving economy is resulting in widespread labour shortages and increasing wages. Rising energy costs also affect the costs of trucking services and fertilizer production.

Agriculture and the Environment

As agriculture and the environment affect one another and Albertans are increasingly concerned about the environment, the development of market-based methods to capture the value provided by agriculture and other renewable resource sectors in employing environmentally sound practices combined with a long term, comprehensive agri-environmental strategy will be critical to ensuring both agriculture and the environment are sustainable over the long term.

Core Businesses, Goals and Measures

The Ministry contributes to three of the government's four opportunities: **Unleashing Innovation, Competing in a Global Marketplace** and **Making Alberta the Best Place to Live, Work and Visit** and government's goals: 1, 3, 8 and 14. The Ministry's major contributions are to Goal 1: Alberta will have a diversified and prosperous economy and Goal 8: Alberta will have a financially stable, open and accountable government.

The functions of the Ministry are aligned with government core businesses through the Ministry's three core businesses:

- Facilitate Sustainable Industry Growth
- Enhance Rural Sustainability
- Strengthen Business Risk Management

Core Business One: Facilitate Sustainable Industry Growth

This core business:

- Relates to the government's key opportunities of: **Unleashing Innovation, Competing in a Global Marketplace** and **Making Alberta the Best Place to Live, Work and Visit.**
- Promotes growth by adding value to agricultural products and services.
- Supports an innovative, profitable and globally competitive industry capable of sustained growth.

Core Business Cost $232.3 million

Goal 1: Sustainable Growth of the Agriculture and Food Industry

The Ministry's efforts under Goal 1 are focused on working towards a growing, profitable and prosperous agricultural industry in Alberta. Ministry staff work with industry clients to develop new products, services or processes to add value to food and non-food production.

Goal 1 Expense $220.3 million

In 2006-2007, Ministry staff were heavily involved in launching new bioenergy programs in partnership with Alberta Energy, which will result in growth of the industry, while contributing to the government's goal of diversifying the economy and sustaining the environment. The government granted $16 million for bioenergy/biorefining development, which will be matched by $65 million in private sector investment.

To address the pressing labour issues facing the industry, Ministry staff are implementing a workforce strategy, which supports initiatives focused on worker retention, recruitment and workforce productivity. The strategy also supports immigrant farmers and finds employees for primary and processing work through the Provincial Nominee Program.

Policy plays a major role in industry growth. Staff worked on a number of initiatives that have an effect on Alberta's ability to market its products, such as the following:

- Working to change the Canadian Wheat Board regulations by removing barley from the monopoly.
- Advancing Alberta's global trade interests at the World Trade Organization.
- Contributing to the work of the Agricultural Policy Framework Review.

Key contributions to achievement:

- Evaluation and development of new products, processes and technologies.
- Supporting immigrant farmers and bringing in foreign workers.
- Producer and processor supports.
- Industry competitiveness through policies, programs and projects.
- International trade.
- Infrastructure/capital projects.

Strategy

Encourage development of new products, processes and services that respond to new market opportunities and enhance diversity.

Results

- Worked with industry to develop and commercialize industrial technology applications and products utilizing agricultural inputs. Projects included development of high value products from canola oil processing waste, bio-based materials for industrial cement applications and plant-based substitutes for specialty bio-industrial chemicals.
- Supported the development of a patented process for alternate uses of specified risk management (SRM) materials, such as fuels and firefighting foam.
- The Food Processing Development Centre in Leduc evaluated three new technologies, completed 75 client-initiated developmental projects and 12 research projects related to value-added products. It also helped Alberta companies develop 125 new products, 32 of which were entirely new and successfully introduced into the marketplace.

- Results from two winter wheat studies have led to the approval of a newly developed coated urea product. This slow release fertilizer, which is environmentally friendly, efficient and may reduce input costs to competitively produce crops, was approved for sale for the first time in July 2006.
- Field trials of Ivermectin and Tilmicosin, two generic livestock pharmaceuticals, were successfully completed. Manufacturing and distribution of Ivermectin is anticipated by fall 2007, and manufacturing and distribution of Tilmicosin is anticipated for 2008. These two generic drugs will save the livestock industry an estimated 75 per cent of annual drug costs (i.e., approximately $20 million in Alberta, $60 million in Canada based on current branded sales) and be the first generic livestock pharmaceutical drugs manufactured in Alberta.

Strategy

Facilitate capital investment in the agriculture and food industry through opportunity identification, evaluation and lending products.

Results

- AFSC invested $20.8 million in Alberta-based agri-businesses through its lending programs, leveraging a total investment of $60 million.
- 1,086 farm business clients were assisted through AFSC lending programs, resulting in $181.5 million direct investment and $213.4 million leveraged investment.
- Department staff worked with Alberta Energy to provide 19 grants under the Bio-refining Commercialization and Market Development Program and the Bioenergy Infrastructure Development Program. Grants totalling $16 million over three years, matched by industry investment of $65 million into Alberta over the same period, have created the potential for additional investment by industry of $300 million.
- Through focused investment attraction, staff identified 11 new investment projects, with two of these resulting in commitments of $29.2 million in private capital.
- Through the Production Immigrant Investor Program, staff assisted in interviewing, processing and recommending 10 Self-Employed Farmer Provincial Nominee Program investor files. These files represented $9.6 million in equity investment, with an anticipated total investment of $24.19 million. Twenty-five additional prospects are under consideration, representing a potential of $30 million in equity and $45 million in investment.

Strategy

Advocate policies/programs and develop networks that facilitate market access, human resource development, industry competitiveness and add value to primary production.

Results

- The Canadian Triticale Biorefining Initiative was implemented and accepted by the Institute for Food and Agriculture Sciences, Alberta. A study on Manufacturing Competitiveness of Triticale for Industrial Fermentation confirmed that the economic model for triticale as a starch crop provides improved margins versus wheat, and margins approach that of U.S. corn. Approximately $4 million has been committed to support triticale as a biorefinery crop. This initiative was showcased at the Annual World Congress of Biotechnology and Bioprocessing (March 21-24, 2007) in Orlando, Florida.
- A Workforce Strategy was developed and is being implemented with $3.3 million of support over three years. The strategy assists companies with retention, recruitment and workforce productivity, and it addresses long term workforce issues. To date, 23 processors have received coaching and information on best recruitment practices, and 1,200 temporary foreign workers have been recruited. Three recruitment missions were organized with seven processors, which resulted in job offers to 250 workers. Screening interviews were conducted, resulting in recommending 170 workers for the Provincial Nominee Program.

- The Minister hosted the *XVI Tri-National Agricultural Accord* in Banff from August 9 to 12, 2006. The Accord addressed common cross-border agri-food issues and strengthened agricultural trade relations among the three North America Free Trade Agreement countries.
- Agriculture ministers from Alberta, British Columbia, Manitoba, Prince Edward Island and the Yukon signed an agreement on internal trade in agriculture, which expands the scope and coverage of the *Agriculture Chapter of the Agreement on Internal Trade* with respect to the inter-provincial trade of agricultural and food goods, and streamlines its provisions.
- In April 2006, Alberta and British Columbia signed the *BC-AB Trade, Investment and Labour Mobility Agreement*. The agreement creates a more open, competitive economy where goods, services and investments move freely, furthering internal trade between the two provinces.
- In response to the federal government's announcement to hold a plebiscite for barley marketing, a multi-part communications campaign was initiated to ensure the Alberta industry was informed and had the opportunity to have its views heard. As a result of this campaign, plebiscite response in Alberta was strong, and 78 per cent of Alberta producers voted in favor of marketing choice for barley. As a result, both the Federal and Alberta governments have committed to implementing the results of the plebiscite and marketing choice for Western Canadian producers.
- The *Livestock Identification and Commerce Act* (LICA) received Royal Assent on May 24, 2006. The Act consolidates and revises three existing Acts: the *Brand Act*, the *Livestock Identification and Brand Inspection Act* and the *Livestock and Livestock Products Act*. The LICA facilitates fair commerce, increases the protection available for livestock buyers, and promotes the integrity of livestock marketing practices. It will set modern rules for Alberta's brand registration and livestock inspection system.

Strategy
Develop and administer essential policy, legislation and regulations.

Results
- A regulation review conducted in partnership with industry led to proposed changes to the *Farm Implement Act*, enhancing the options farmers have in obtaining and purchasing farm equipment.
- The proposed *Animal Health Act* was completed and submitted for the first reading in the spring 2007 session of the legislature. This legislation will facilitate a rapid and decisive response to animal disease issues that threaten animal or public health or market access.
- Agriculture and Food, the Canadian Food Inspection Agency, Emergency Management Alberta, and Public Safety and Emergency Preparedness Canada signed Alberta's Foreign Animal Disease Emergency Support plan, committing provincial resources to assist the federal government in the event of an incursion by a highly contagious foreign animal disease.
- A comprehensive review of industry governance and the *Marketing of Agricultural Products Act* was initiated. Building on input from industry (especially boards and commissions), the review will develop recommendations on industry governance structures, processes and regulations that will enable industry to be more strategic and competitive in the global economy.

Strategy
Deliver targeted research, technology, information and services to enhance competitiveness and market access.

Results
- The Ministry leveraged over $2.2 million in funds from external funding agencies and industry to deliver solutions for crops and livestock industry issues. Scientists contributed 42 scientific journal publications, 20 international scientific presentations and research knowledge to client groups through a multitude of field events, abstracts, articles and symposia.

- Delivered data and results that resulted in 11 applications for Minor Use Pesticide registrations and 12 applications for Emergency Use registration on various crops through the Pest Management Regulatory Agency resulting in a competitive advantage for crop production in Alberta. This included an Emergency Use registration for a pesticide to control small hive beetle, a serious new pest of honeybees.
- Participated in national surveillance for BSE, chronic wasting disease and avian influenza in wild birds. Alberta's BSE surveillance was a significant contributor to Canada's application to the World Organization for Animal Health (OIE) and the resulting recommendation for "Controlled BSE Risk" status.
- An On-farm Energy Efficiency Program was initiated with Climate Change Central. Initial audits and training of auditors has been completed. This program is focused on reducing energy costs for hog, poultry and dairy operations resulting in lower energy demand and reduced greenhouse gases.
- The Odour Control Initiative was completed and submitted to the Alberta Livestock Industry Development Fund. The initiative resulted in standard protocols for measuring odour with confidence and a source of information on what technologies mitigate odours.
- Development of a diagnostic ELISA test for *Salmonella* spp. contributed to restoring international markets for Alberta horsemeat.
- Completed a report on the market opportunity for the bio-fibre textile market. The report is being used by a bio-fibre textile processor and developer who is conducting intensive product development in Alberta with the Alberta Research Council. Important changes to processing, identification of market opportunities, and new products for commercialization have also been realized through ongoing efforts with industry on this initiative.
- The relocation of an industry flax crop-breeding program to the province signals the benefits of collaboration with leading edge research here and will contribute to increased flax acres in Alberta.

Strategy

Work with partners to ensure that appropriate physical infrastructure is in place.

Results

- The $24.5 million Agrivalue Processing Business Incubator was completed and received Canadian Food Inspection Agency operating approval on September 27, 2006. Three bays are leased, and negotiations are underway that will see the incubator operating at full capacity by the end of 2007.
- The Bio-Industrial Technologies Division moved staff and equipment to establish pilot plants in Agri-Food Discovery Place (Edmonton) and the Alberta Research Council (Vegreville). Both facilities became operational in February 2007 and are now supporting pilot-scale industry projects.
- Investments in Agricultural Food and Nutritional Science laboratory equipment for bio-refining and oilseed utilization enhanced Alberta's ability to respond to new and existing client needs.
- 20 randomly selected irrigation canals were audited in partnership with the Irrigation Council to ensure the irrigation districts are adequately maintaining irrigation infrastructure.
- Worked with Alberta's 13 irrigation districts to allocate $24 million in Irrigation Project Funds and $3 million for special projects to address critical needs in water management and efficiency improvements.
- In partnership with Alberta's utility industries, $4 million in grants was provided to assist in the construction of 4,276 essential rural natural gas services and 463 farm electric utility services valued at over $22 million.

- Approximately $8.3 million was approved under the Municipal Industrial Wastewater Infrastructure for Agricultural Processing Program for a municipal capital project to provide water and wastewater services to a multi-faceted, agriculture related development.

Goal 1 Performance Measures	2005 - 2006 Result	2006 - 2007 Target	2006 - 2007 Result	2007 - 2008 Target
1.a Number of value-added products developed and successfully introduced to market with assistance from the Ministry.	45[1]	75	89[2]	90
1.b Research and development investment by collaborators leveraged through Ministry resources.	N/A[3]	N/A	$4.2 million[4]	N/A
1.c Investment supported by AFSC lending services[5].	$233 million	$217 million	$242 million	N/A[6]

[1] The result for 2005-2006 has been restated from 42 to 45 as 3 products reported for 2006-2007 were actually introduced to market in the 2005-2006 year.

[2] The 2006-2007 result of 89 is substantially more than the 45 reported for the 2005-2006 year as a result of the large increase of products from the Business Commercialization Branch. This branch was created in the 2005-2006 year and was successful in expanding its client base in the 2006-2007 year.

[3] Last actual result from 2005-2006 was reported as $7.6 million. Due to changes in reporting, this result is not directly comparable to the 2006-2007 result.

[4] The reporting process for this measure has been updated and now requires individual divisions to supply the supporting financial information for each research and development project. The 2006-2007 target of $8.5 million and the 2007-2008 target of $10 million are not directly comparable to the 2006-2007 result.

[5] Total investment in rural business and total amount of farm loans. Values reported for investments are a proxy measure for investments based on loans approved. In some cases, there may be timing differences between approval and disbursement of loans, and not all approved loans are disbursed.

[6] Measure has been changed in 2007-2010 Business Plan so the 2007-2008 target is not applicable.

Goal 2: Continued Excellence in Food Safety

This goal recognizes that excellence in food safety is essential to maintaining consumer confidence and expanding domestic and international markets. The Ministry contributes to this goal by promoting the implementation of food safety systems through essential legislation, regulations, policy and education. Inspections are conducted to ensure compliance with provincial regulations. These initiatives reflect the Ministry's commitment to Agricultural Policy Framework's (APF) national approach to food safety.

Goal 2 Expense $12.0 million

The Ministry provides design expertise, guidance and incentives for the implementation of safe food production systems on farms and in food processing establishments. Science-based information provided by Ministry staff results in a greater awareness of food safety risks and the development and implementation of appropriate mitigation strategies.

The Ministry provided lab testing support and APF funding for the development of Hazard Analysis Critical Control Point (HACCP) food safety programs. Federal and provincial funding was also dedicated to support the proper disposal of specified risk materials (SRM) from ruminants and to support the ban of SRM from ruminants in animal feed, pet food and fertilizers.

Key contributions to achievement:

- Food Safety Initiative funds to help food processors implement HACCP processes.
- Enhancements to the auditing processes of food safety systems.
- Appropriate food safety surveillance, regulatory inspections and enforcement.
- Partnerships with jurisdictions that share food safety legislative responsibilities.
- Scientific studies that produce clear recommendations to reduce food safety risks.
- Education to increase industry awareness of international safety control systems.
- Increased support for the development of industry-wide traceability systems.

Reporting and measuring accomplishments related to food safety continues to be a challenge due to the shared multi-jurisdictional responsibility for food safety programs. Partnerships and enhanced communication between federal and provincial agriculture and health ministries is leading to a national approach to food safety and clarification of jurisdictional roles and responsibilities.

Strategy

Facilitate adoption of internationally accepted food safety systems and standards in production and processing of Alberta food.

Results

- The Alberta HACCP Advantage (AHA!) standard and technical manual were developed to meet internationally recommended food hygiene practices as set out by the Codex Alimentarius Commission. AHA! is being promoted as a standard food safety system for Alberta food processors.
- Ministry staff provided technical advice to increase the nationally recognized On-Farm Food Safety Programs (OFFS) adopted by Alberta producers.
- A food safety-auditing program was developed and implemented to measure the adoption of food safety systems by Ministry-licensed poultry and red meat abattoirs. The audit program evidenced that 21.8 per cent of Ministry-licensed red meat abattoirs adopted a preventative food safety system (Meat Facility Standards II).

Strategy

Maintain a continually improving surveillance system that validates and identifies opportunities for enhancing the safety of Alberta's agriculture and food products.

Results

- Maintaining a healthy livestock population supports safer food. This objective was supported by 23 disease investigations conducted by Ministry staff under the Livestock Pathology Consultation Program, ensuring no new or emerging diseases had occurred in the province that may have posed a threat to Alberta livestock. Surveillance of poultry under the Alberta Poultry Health Program revealed an outbreak of *Salmonella* in broiler and breeder flocks that led to the initiation of a joint policy with the poultry industry for control of this disease agent to reduce the risk of human food-borne infections.
- Surveillance of livestock disease syndromes under the Alberta Veterinary Surveillance Network was tested in feedlot cattle and poultry and encompassed over 2 million head of cattle. The surveillance served as a means of monitoring for the emergence of new livestock diseases in Alberta.

- Surveillance studies were conducted that provided baseline levels of potential food-borne disease agents to understand the level of risk and against which to compare the positive effects of changes in manufacturing processes. Baselines measured included *Listeria* in red meat and poultry processing facilities, bacterial contaminants in red meat and poultry processing plants, and risks of food-borne disease agents in retail meat.
- Surveillance of chemical residues was conducted to assess the risk of food contamination as follows: levels of veterinary drugs in honey and milk contributed to better production practices reducing the risk of food contamination, surveillance of levels of heavy metals in milk indicated low risk and 384 barbeque hogs were tested for levels of sulfa to minimize the risk of contamination of meat products.
- Surveillance of primary food production was conducted to evaluate potential risks of food-borne disease agents and practices that contributed to lessened risk as follows: levels of *Salmonella* in various types of pig production systems were identified along with the risk associated with using different management practices; elk slaughtered in Alberta abattoirs were tested for chronic wasting disease to ensure any animals testing positive were removed from the food supply; elk lungs were tested for parasites to reduce the food safety risk, and evidence was provided of the low risk of bacterial contamination in field strawberries.
- The economic value of using Radio Frequency Identification (RFID) to identify livestock was assessed. Two reader systems were assessed at three large Alberta auction markets. Both RFID reader systems had read rates of greater than 98.6 per cent, were robust under different environmental conditions, had the capability to work at the speed of commerce and showed promise for automation of manifest entry, invoicing and transportation permits and real-time tracking.
- The Ministry's food and animal testing labs' Quality Assurance System was re-accredited under the International Organization of Standardization (ISO), increasing confidence in and international acceptance of scientific findings produced by the Ministry.

Strategy

Review and administer essential policy, legislation and regulation, and facilitate emergency response.

Results

- Ministry staff participated in the Canada/Alberta partners in Food Safety committee that enhanced and tested Alberta's food-borne illness investigation protocol, which ensures a coordinated response to food-borne incidents.
- A Specified Risk Material (SRM) Initiative was developed that distributed the development and implementation of processes to meet $4.4 million federal government spending and $3 million provincial spending to support industry in disposal requirements legislated by the federal enhanced SRM feed ban that takes effect July 2007. Eight industry projects were supported.
- The Meat Facility Standards 1999 (MFS) were revised and updated based on input from Ministry technical experts. The proposed MFS II will facilitate the adoption of auditable food safety programs by Ministry-licensed abattoirs that will demonstrate food safety practices and will support the competitiveness of the Alberta meat processing industry.

- Under the Ministry provincial meat inspection program, abattoirs are licensed and meat and meat products are inspected, contributing to food safety, animal welfare and animal health. At the beginning of the fiscal year 2006-2007, 55 red meat abattoirs were in operation. By the end of the fiscal year, only 51 red meat abattoirs were still in operation. Inspection services were provided to 51 red meat abattoirs, three high-speed poultry abattoirs, and 67 Hutterite poultry abattoirs. Approximately 197,266 red meat carcasses and 3,895,175 poultry, primary broilers (3,553,333) domestic fowl (219,947) and turkeys (102,109) were inspected. One hundred and forty-two food safety audits were conducted at Ministry-licensed abattoirs, supporting adoption of food safety programs.

Strategy

Develop and transfer knowledge and technology in support of safe food production and processing.

Results

- Scientific publications were written, study results were presented at conferences, Agri-news articles were published and Call of the Land radio spots were recorded to inform industry, the public and other researchers of findings that could be useful to them in making decisions that enhance the safety of food, including the following:
  - The rate of reduction of lead in cattle to provide safety guidelines for the management of lead-contaminated food animals.
  - Risk factors associated with *Salmonella* in swine finishing farms in support of best production practices.
  - Methods of identifying feedlot pens with higher levels of *E. coli O157* were validated as a means of reducing the risk of contamination of beef carcasses.
  - Identification of Critical Control Points for reducing the risk of *Salmonella* contamination in swine processing plants.
  - The risk of Salmonella on egg belts made of various materials was determined to provide recommendations to producers on preferred equipment choices.
- Improved lab testing methods were developed to improve future studies:
  - Detecting parasites and *Salmonella* in domestic food animals.
  - Detecting veterinary residues in cattle.
  - Detecting *Listeria* as a risk in red meat processing facilities.
  - Molecular techniques for detecting *Salmonella* in different food and animal matrixes.

Goal 2 Performance Measures	2005 - 2006 Result	2006 - 2007 Target	2006 - 2007 Result	2007 - 2008 Target
2.a Number of surveillance and monitoring initiatives designed to measure hazards in food production.	N/A[1]	10	18	18[2]
2.b Per cent of Alberta production produced under on-farm food safety (OFFS) programs.				
• chicken farms	100%	98%	100%	98%
• hog farms[3]	92%	98%	100%[4]	98%
• beef feedlot	N/A[5]	40%	NA[5]	NA[6]
• dairy	8.5%	20%	10.5%	NA[6]
2.c Percentage of Alberta licensed food production facilities that have added a preventative system to their existing food safety system.				
• Meat – HACCP Pre-requisites (Meat Facility Standards version II)	16%	5%	21.8%[7]	45%
• Meat – HACCP (Alberta HACCP Advantage)[8]	0%[9]	1%	0%	NA[10]
• Dairy	0%	100%	25%[11]	NA[12]

1 The 2005-2006 result of 25 is not directly comparable to the 2006-2007 result. Surveillance and monitoring initiatives in the report writing phase were included in the 2005-2006 result and are not included in 2006-2007.

2 Future targets for this measure have been increased based upon the results of previous years.

3 The 2006-2007 results are not directly comparable to the 2005-2006 results as the 2006-2007 results are based on the fiscal year, and the 2005-2006 results were based on the calendar year.

4 This result may overstate the actual percentage of pork produced under on-farm food safety programs in Alberta in that the result is based on estimated production numbers. The 2006-2007 result exceeds the 2005-2006 result as an increase in slaughter numbers in 2005-2006 led industry to increase estimated production numbers for 2006-2007.

5 Production figures for Alberta beef feedlots under OFFS are not kept by Alberta Beef Quality Starts Here or any other known source; therefore, a result for this measure cannot be reported. This measure has been removed from future business plans.

6 The 2007-2008 targets for these measures are reported as NA as these measures have been removed from future business plans.

7 The result for 2005-2006 was determined using different criteria than that used for 2006-2007. Therefore, the two results are not directly comparable. For 2005-2006, the term "added a preventative system" was defined as an improvement to a facility's food safety process control record keeping. For 2006-2007, the term "added a preventative system" was defined as receiving a score of 70 or greater on the MFS annual audit performed by Regulatory Services staff; 12 out 55 facilities as of April 1, 2006, met this criteria.

8 HACCP is an acronym, which means Hazard Analysis Critical Control Point. HACCP is a system that identifies, evaluates and controls hazards, which are significant for food safety.

9 The 2005-2006 result is reported as 0 per cent as no audits were completed under this program for this fiscal year.

10 The 2007-2008 target is reported as NA as this measure has been removed from future business plans.

11 One out of four provincially-licensed dairy processors met the AHA! standard for recall.

12 The 2007-2008 target is reported as NA as this measure has been removed from future business plans.

Core Business Two: Enhance Rural Sustainability

This core business:

- Relates to the government's key opportunities of **Making Alberta the Best Place to Live, Work and Visit, Competing in a Global Marketplace** and **Unleashing Innovation.**
- Relates to maintaining and improving agriculture's physical and human resource base.
- Promotes strong rural community capacity.

Core Business Cost $55.6 million

Goal 3: Improved Environmental Stewardship

This goal recognizes that it is the role of the Ministry to assist the agriculture and food industry to maintain or improve Alberta's air, water and soil for the well being of current and future generations. The Ministry contributes to this goal through essential policy, legislation, information and services related to soil conservation, water quality, air quality, climate change and biodiversity.

Goal 3 Expense $14.1 million

Key contributions to achievement:

- Regulatory amendments for the *Agricultural Operations Practices Act* came into effect on October 1, 2006. The establishment of extension specialists to work with confined feeding operations and municipalities supports effective delivery of the legislation.
- Collaboration with agriculture industry stakeholders to begin development of an Agri-Environmental Strategy and Partnership that will allow focused effort toward measurable progress on issues identified as higher priority for immediate action.
- Continued cooperative work with other departments on cross-ministry initiatives such as the Water for Life Strategy and the Clean Air Strategic Alliance.
- Increased targeting of technical resources toward priority areas such as nutrient management, energy and water supply and management.

Strategy

Support and conduct applied/adaptive research and evaluations to develop economically sound, environmentally friendly beneficial management practices for relevant areas of crop and livestock production and agricultural processing.

Results

- Water user needs, awareness, and considerations around the closure of the South Saskatchewan river basin to new water licenses and the subsequent introduction of water allocation transfers were identified. This project was completed in partnership with Alberta Environment, and public consultation occurred throughout areas in the South Saskatchewan river basin.
- Eleven research and demonstration projects were implemented at the Irrigation Development Centre in Lethbridge to promote effective water measurement practices for irrigation producers and districts that will increase water use productivity and efficiency. Agriculture and Agri-Food Canada, Potato Growers of Alberta, Roger's Sugar, Alberta Sugar Beet Growers Association, Water Measurement Companies and Irrigation Districts were involved in these projects.

- Thirteen applied research studies were completed as part of the Soil Phosphorus Limits Project that provided increased knowledge of phosphorus levels in manure-amended soils and phosphorus in run-off from agricultural land.
- Planned and implemented a new study to evaluate watershed-scale nutrient management beneficial management practices (producer costs and environmental benefits) for protection of surface water quality.
- Fieldwork completed for a prairie-wide collaborative research study on greenhouse gas emissions from landscapes. These first emission numbers for landscapes in Canada will enable better protocol development and confidence in emission coefficients and will benefit the Alberta offset market and national inventory efforts.
- A new design manure injection tool was developed based on industry needs. This tool improves the utilization of manure-based nutrients for crop production, addressing odour and incorporation concerns.

Strategy

Transfer integrated technology and knowledge to assist the industry in becoming more environmentally sustainable, including provision of support for adoption of environmental farm plans.

Results

- 5 municipalities incorporated woodlots in their Municipal Development Plan. These efforts are intended to reduce deforestation in Alberta.
- Improved irrigation and energy use efficiencies were extended to producers and other resource managers through irrigation management training and the Irrigation Management Climate Information Network.
- 39 extension programs were delivered covering 17 agricultural groups and 59 municipalities to facilitate the adoption of beneficial management practices (BMP's) by the agricultural industry.
- Delivered nutrient management extension activities including the tri-provincial manure management conference, the soils and perennial crop field school and the agronomy and manure management 2007 update to increase knowledge of nutrient management practices.

Strategy

In consultation with the industry and other involved ministries, provide guidelines, standards, regulations and legislation for environmental performance requirements to sustain the quality of Alberta's soil, water and air.

- Contributed to the 'Water For Life' (WFL) strategy and project teams through:
  - Wetland policy, water policy issues and gaps, WFL renewal, intra-basin transfer of water allocations, development of sector water productivity plans, development of a provincial water research strategy and creation of a shared governance and watershed management planning framework.
  - Development and planning activities of Watershed Planning and Advisory Councils (WPACs) in the major river basins of Alberta. Ministry staff play a leadership role in the WPACs of the Oldman, Red Deer, Battle and North Saskatchewan basins, as well as a supportive role in the Bow, Milk and Cold Lake/Beaver river basins.
  - Contributing to a policy research study under the Water for Life Strategy to estimate the value of water used for the various economic sectors in Alberta.
- Farmers have a greater understanding of water well health and management as a result of participating in the coal bed methane tour with the Energy and Utilities Board and Canadian Society of Unconventional Gas in 11 locations across central Alberta.

- Farmers have greater access to the Water Well Restoration or Replacement Program through online forms.
- Factsheets on biodiversity were completed in support of the Bio-Diversity Strategy.
- Carbon sink quantification protocols were developed for review by the federal government.
- Assessed water quality effects of beneficial management practices in the Battersea Drain and Lower Little Bow river watersheds in cooperation with the Oldman Watershed Council.
- Completed a review of relevant permitting and monitoring requirements for manure storage facilities in Alberta, Canada, and North America in cooperation with the Natural Resources Conservation Board.
- Established extension services for producers, municipalities and stakeholders to increase understanding of the *Agricultural Operations Practices Act* and the requirements for meeting the regulations to protect the environment and reduce nuisance.
- Developed internal Government of Alberta environmental assurance tools, such as Provincial Water Quality Assurance/Quality Control processes and cross-ministry management of environmental monitoring activities.
- Policy recommendations developed for manure application based on soil phosphorus limits as well as a plan of action to assist producers in meeting potential limits.

Strategy

Monitor the effect of the agricultural production and processing industry on soil and water quality.

Results

- Water quality in agricultural areas was monitored to help producers assess agricultural effects on water quality. This work included the following:
  - Monitoring surface water quality in 23 small agricultural watersheds across the province for nutrients, bacteria and pesticide residues to determine the effect of the agriculture industry on surface water quality. Results were used to complement monitoring activities of Alberta Environment and Alberta Sustainable Resource Development.
  - Performed site-specific monitoring to complement the work of local stewardship groups and demonstration projects and to develop extension materials for use in local areas.
- Monitoring at 42 benchmark sites across the province provided information on the quality of soils under various types of agricultural production. This work led to the development of a national pesticide risk indicator and has shown that organic matter in most eco-regions of the province is increasing.
- Worked with Alberta Environment, and the Canadian Food Inspection Agency to complete a pilot study to investigate the presence of veterinary pharmaceutical residues in surface waters. The study indicated that the magnitude of pharmaceutical levels was extremely low in the order of parts-per-trillion. This result is consistent with similar studies of small streams in agricultural areas and considerably lower than mainstream river samples downstream of urban centers in Alberta.

Goal 3 Performance Measures	2005 - 2006 Result	2006 - 2007 Target	2006 2007 Result	2007 - 2008 Target
3.a Percentage of producer survey respondents who have adopted improved environmentally sustainable agriculture practices (formal evaluation every three years; next survey to be conducted in 2006-2007 and reported in June 2007).	53%	58%	N/A[1]	58%
3.b Number of producers provided with training and technical support to enable development of environmental farm plans.	5,023[2]	4,000	8,573	6,500[3]

[1] The 2005-2006 numbers are the most recent data available. The next survey will be completed in the 2006-2007 fiscal year and be reported in 2007-2008.

[2] Results for the 2005-2006 fiscal year have been restated based on previous annual report data from the Environmental Farm Plan Company.

[3] Future targets for 2008-2011 and beyond will reflect a cumulative growth of 1,500 per year.

Goal 4: Strengthened Rural Communities

This goal recognizes that vibrant and sustainable rural communities are one component of a prosperous province. The Ministry contributes to this goal by working to strengthen rural communities through involvement in skill and leadership development and infrastructure development. The Ministry has a role in coordinating and supporting rural development initiatives. Providing support in implementing of the Rural Development Strategy will facilitate cooperative efforts to ensure a balanced emphasis on social, economic and environmental priorities by all stakeholders in support of community prosperity.

Goal 4 Expense $41.5 Million

The Ministry works with other ministries and non-government stakeholders to achieve vibrant, sustainable rural communities. Positive results leading to that outcome are being realized as a result of training and leadership development opportunities for rural youth and other rural leaders provided by the Ministry.

The Ministry has also provided grant funding for Irrigation Districts to improve water conveyance and to Agricultural Societies and Agricultural Service Boards for community facilities and activities, as well as pest and weed control and soil and water conservation. Grants are also provided to rural gas distributors and rural electric utilities to extend essential utility services to rural Albertans.

The Ministry has taken an active role in the implementation of the Rural Development Strategy in partnership with stakeholders and other ministries. A key understanding of this initiative was the creation of the Rural Development Fund that is providing $100 million over five years towards projects designed to enhance the development and growth of Alberta's rural communities.

Key contributions to achievement:

- Training and leadership.
- Evident partnership with communities and rural businesses.
- Excellent stakeholder engagement and cross-ministry involvement.
- Contributions to planning for future rural development.
- Rural business diversification.

Strategy

Provide leadership development for youth and adults actively engaged in agriculture and community organizations and rural businesses.

Results

- 18 scholarships were awarded to Alberta agri-preneurs to attend a variety of learning events including Grow West in Calgary, International Mead Festival in Colorado and Martin Black apprenticeship program in Texas. Two scholarships were awarded for the self-directed learning tours held in British Columbia/Washington and California. These individuals increased their awareness of the industry and related business opportunities and have become spokespersons and mentors to others in the industry.
- An unexpected bonus of the agri-preneur scholarship program was the advocacy with new partners (external and internal) who were judges. They now have a better understanding of the farm direct marketing industry and indicated an increased willingness to work with the Ministry on future ventures.
- Enhanced competency of staff from 10 municipalities by providing a certificate course on provincial legislation and Agricultural Service Board Program Administration; course content included clarification of roles, responsibilities and authority for provincial legislation applicable to municipalities, review of the strategic planning process, board governance and assessing the qualitative and quantitative impacts of Agricultural Service Boards.
- Through the Green Certificate Program, certified 364 students (target 250) who undertook the program primarily as part of their high school program to acquire hands on learning of agricultural skills in one of eight specialized areas. Enrolled a further 515 (target 425) high school students into the program.
- Alberta's 4-H leadership training program for the province's youth continues to be the strongest in Canada, with over 7,100 active 4-H members and 2,400 volunteer leaders involved in 360 clubs. In total, over 6,000 families across Alberta in 50 rural counties are affected by the program.

Strategy

Facilitate the development and sustainability of rural communities and organizations to be flexible, adaptive and manage change.

Results

- The Ag-Info Centre developed content on agricultural issues and opportunities in collaboration with Ministry and industry projects delivered through various media such as the Call of the Land radio show, Ropin' the Web internet site and print media. The Centre also provided expert speaker resources for numerous conferences.
- A staff member of the Farmers' Advocate Office was appointed to the Land Agent Advisory Committee, providing a rural perspective to recommendations and advice on policy and regulatory changes to the *Land Agents Licensing Act*.

- The Farmers' Advocate participated in the development and governance of Synergy Alberta, a provincial umbrella group that oversees 60 synergy groups in Alberta that focus on resolving community issues primarily related to the oil and gas sector.
- Agricultural Service Boards provided leadership, support and increased accountability to rural communities through the following:
  - Providing $10.59 million in grant support to 69 agricultural service boards for the delivery of municipal projects, programs and services and the enforcement of legislation related to weed control, pest control and soil and water conservation.
  - Engaging effective partners through the Provincial Agricultural Service Board Committee, resulting in municipal representatives on the departmental Fusarium Action Committee and Clubroot Action Committee. Efforts resulted in obtaining commitment to support the update of the Pesticide Certification Course.
  - Developing a Report Card for the Provincial Agriculture Service Board Committee to create a transparent and accountable process for communicating agricultural issues and solutions.
  - Enhancing accountability of agricultural service boards by providing municipal staff with targeted training on strategic planning.
- Provided $8.67 million in grant funding to 285 agricultural societies, enabling community facility operations, enhanced agricultural activities, rural development projects and increased leadership training activities.
- Improvements to the quality of life for agricultural communities were facilitated through the provision of $2.85 million for 87 community initiated projects under the Agricultural Initiatives Program.
- Strengthened relationships with industry and community partners resulted in donations in excess of $950,000 and $130,000 of "in-kind" support for the Alberta 4-H Program.
- Improved remote access to learning by implementing an online delivery of the Weeds Management Course through Olds College with 23 students, and delivered an online safety quiz to 91 Summer Farm Employment students.
- Promoted agricultural awareness to students and teachers through trade shows, classroom pilots and agriculturally related educational events.

Strategy

Facilitate the growth and development of sustainable agricultural and rural businesses.

Results

- A web page for the Farmers' Advocate's Office was developed to provide rural Albertans with easier and quicker access to important information relevant to their needs. The web site houses key information on well issues and negotiation strategies. The site also includes a list of groups and businesses that practice and support surface lease negotiation that rural residents can access to assist them in the negotiation process.
- The Agriculture Opportunities Fund provided $1.5 million in support to 18 different associations and groups across Alberta to encourage agri-based business activity and enhance profitability at the farm gate. Qualifying associations included applied research and forage associations, Alberta Wapiti Products Co-op, Alberta Farmers' Markets, Branding the Peace and the Chinook Entrepreneur Challenge. These funds are estimated to have leveraged a total of $100 million in investments.
- In partnership with Alberta's utility industries, leveraged $4 million in grants to extend essential utility services valued at over $22 million to 4,276 rural natural gas consumers and 463 farm electric consumers.

- Expanded the Cottage Winery Policy to include Alberta's fruit producers and beekeepers. Worked with the Alberta Liquor and Gaming Commission to amend legislation to legalize farm-based mead (alcoholic mixture of fermented honey and water) production by these sectors and provide them with direct market access to restaurants.
- In partnership with the Agriculture and Food Council and with support from the Fruit Growers Society of Alberta and the Alberta Beekeepers Commission, facilitated an educational workshop for potential winery operators in Alberta, with over 50 industry (fruit and honey producers) participants attending.
- Implemented the Ag Tourism Cluster Development initiative to bring together agricultural tourism operators to increase profile and awareness of their operations and create an impact through critical mass, ultimately resulting in increased profits at the farm gate. Nine clusters are now in place across the province, including new clusters in the Peace and Kalyna Country, and new niche projects are developing in the Edmonton and Red Deer (Lacombe) clusters.
- Piloted Ag Tourism marketing alliances to raise the profile of Ag Tourism offerings at a provincial level through a coordinated industry alliance approach. Industry organizations are engaged in both "Earn Your Spurs" And "Chomp around Alberta" initiatives.
- Developed an Ag Tourism training DVD to enhance knowledge and skills of new and existing Ag Tourism operators by providing information on site assessment and orientation, safety, aesthetics, visitor flow and engaging the audience.
- Together with the Canadian Tourism Commission, finished a three-year Cowboy Heritage Tourism Innovation Partnership. The initiative was developed to pull together the existing diverse range of cowboy heritage experiences and to help create new experiences that will be integrated into the marketplace as key components in the Alberta tourism product supply.
- Led the initiative to host Grow West, the North American Farmers' Direct Marketing Association's annual convention in Calgary. This convention, with a 23-year history of helping farmers increase their total farm income, is North America's only international farm direct marketing convention. It attracted 600 participants to the six-day learning event. Participants shared strategies to increase income at the farm gate through the addition of profit centres, built international networks and were exposed to best management practices and innovative farm diversification tactics. Grow West was the catalyst for the Alberta Farm Fresh Producers Association and the Alberta Farmers' Market Association to partner with one of North America's oldest and only international farm direct marketing associations to co-host the event.

Goal 4 Performance Measures	2005 - 2006 Result	2006 - 2007 Target	2006 - 2007 Result	2007 - 2008 Target
4.a Number of rural businesses assisted by AFSC lending services.	207	210	209	NA[1]
4.b Total investment leveraged in rural businesses facilitated through AFSC lending services[2].	$246 million[3]	$80 million	$186 million[4]	$455 million[5]
4.c Percentage of Ministry supported, agricultural-related community activities that focus on leadership development.	31%	29%	32%	30%
4.d Percentage of rural youth and adults participating in Ministry supported programs that report effective learning from those programs.	93%	90%	92%	90%

[1] 2007-2008 Target is not applicable as this measure has been removed from future Ministry business plans.

[2] Values reported for investment are a proxy measure based on loans approved. In some cases, there may be timing differences between approval and disbursement of loans, and not all approved loans are disbursed.

[3] Significant rural investment was realized in the beef slaughter industry as a direct response to BSE by industry to build increased slaughter capacity. This number has been restated to now include AFSC direct assistance, partnership lending, borrower investment and other sources.

[4] Result is much above the target as continued investment in rural businesses to support increased slaughter capacity also occurred in this fiscal year.

[5] Future targets for this measure have been updated to include both commercial and farm businesses.

Core Business Three: Strengthen Business Risk Management

This core business:

- Relates to the government's key opportunities of **Competing in a Global Marketplace** and **Unleashing Innovation**.
- Provides effective programs for industry stability and growth.
- Provides risk management tools and training.

Core Business Cost $828.2 million

Goal 5: Effective Risk Management Decisions by Agricultural Business Managers

This goal recognizes the business risk associated with production affected by weather extremes, disease epidemics and unforeseen global market influences. Cooperative efforts by service providers target business management training and information dissemination, allowing managers to adopt the most economical and effective management practices to sustain their business.

"Agri-business manager" is an inclusive term indicating the range of industry participants, from primary to value-added, using risk management tools in decision-making. This goal is manager-driven. The manager makes the decisions, not government on behalf of the manager.

Goal 5 Expense $3.1 Million

Ministry staff and industry partners strive to ensure primary producers and agri-businesses have access to business risk management information, tools and training, which supports the development of business risk strategies.

Changes made to the 2005-2008 business plan have focused renewed effort on the provision of business risk management information and training for agricultural business managers to support the development of business risk strategies. As a result, several risk management tools have been made available to producers and agri-businesses. Work with existing and new partners also enabled the delivery of business and risk management information, as well as strategy and skill development opportunities.

Key contributions to achievement:

- Partnerships with federal, other provincial and industry organizations for farm safety, planning and business risk management.
- Development of financial and weather-related risk management tools, including CropChoice$.

Strategy

Determine risk management information needs of business managers in the primary and value-added sectors.

Results

- Shifted information and packaging of the information from the Farmers' Advocate Office to consider risk planning as a basis of negotiation strategy for energy development agreements.
- Through the Ensuring the Food Supply project (supported by the Alberta Food Processors Association, the Alberta Restaurant and Foodservices Association, the Agriculture and Food Council and the Canadian Council of Grocery Distributors), a range of food processing, distribution and retail businesses have recognized the implications of a pandemic event and have taken steps to develop risk mitigation plans.
- Completed an evaluation of the Alberta Drought Risk Management Plan. The results will be used to customize drought information for producers and as benchmarks for monitoring drought mitigation strategies.
- Consulted with the Alberta grain and oilseed industry to gather input on industry priorities including risk management needs.
- The needs of primary and secondary agri-businesses for risk management information, skills and tools were identified through the Alberta Cow Profitability Initiative and the Food Processors Risk Management Survey.

Strategy

Collect, develop and distribute data and information to support business risk management decisions in the primary and value-added sectors.

Results

- Advanced the risk management capabilities of managers through the development and delivery of market, economic and business management information and knowledge to agri-businesses and industry groups.
- Partnered with Statistics Canada and Agriculture and Agri-Food Canada to develop farm income estimates and forecasts for Alberta, which were shared with government, industry and other stakeholders. This information is used mainly for program and policy evaluation, risk assessment and decision-making.
- Monitored, developed and published monthly average prices for selected farm inputs in Alberta. This information was subsequently made available to 270 clients including producers, industry, AFSC, financial institutions and government to assist them in making better risk management decisions.
- Through partnership with Alberta Environment, Agriculture Financial Services Corporation and Agriculture and Agri-Food Canada, expanded the provincial meteorological monitoring network by adding 35 near-real-time stations in the agricultural areas of the province. These stations provide crucial information for Government of Alberta functions including drought reporting, flood forecasting, moisture-based crop insurance, irrigation scheduling and crop disease forecasting. They also complement producer decision analysis activities.
- Primary producers have access to a range of soil, water and weather information and analysis to assist in their business and risk management decisions through the following:
  - A memorandum of understanding between Alberta Environment, Alberta Sustainable Resource Development, Alberta Agriculture and Food, and Environment Canada to support the common management and maintenance of meteorological data in the province and to foster the collaborative design of derivative products.
  - A refined and streamlined online Agriculture Regions of Alberta Soil Inventory Database (AGRASID) viewer. Increased public use (measured by website 'hits') has made this application one of the Ministry's most accessed online resources.
  - A partnership with the University of Alberta to include information from their meteorological network into the network monitored through the Ministry's Agri-Climatic Information System.
  - Regular reporting and analysis on soil moisture and precipitation patterns in Alberta provided to the news media and shared through the Ag-Info Centre and the Ropin' the Web internet site.
- Developed mapping tools to facilitate livestock traceability.
- Produced and distributed the 2007 Program Guide for Producers, which provides information on the Agricultural Policy Framework programs (including risk management programs) available in Alberta.

Strategy

Facilitate development and use of analytical tools to proactively identify, measure and manage business risk in the primary and value-added sectors.

Results

- Developed and delivered the Feedlot Investment Risk Simulation Tool (FIR$T) software, which helps producers manage cattle market risk. More than 150 producers downloaded this software after its launch.
- Collaborated with industry commodity groups and municipalities to assess weather-based predictive models and to develop and provide real-time information for control of early blight in potatoes and fusarium head blight in small grain cereals.
- Updated and enhanced the Agri-Climatic Information System to assist producers with crop management decisions.
- Developed and enhanced a variety of analytical tools to assist primary and processing industry businesses in making better risk management decisions.

Strategy

In collaboration with the private sector, provide information and training on business risk management tools and strategies in the primary and value-added sectors.

Results

- Improved the risk management skills of leading edge producers participating in industry-sponsored market and business risk management workshops. Similarly, the financial risk management skills of 85 value-added processors and industry consultants were enhanced through risk management workshops.
- Formed partnerships with the farming and energy industry to develop and provide risk tools for energy project planners. Tools assess the effect on agricultural operations by energy industry activity.
- Partnered with industry and communities to host 12 farm safety day camps. Developed and promoted safety-focused resources to facilitate practice change in the farming community, which helped producers to mitigate their human resource risk. Partnered with stakeholders to sponsor Farm Safety Week throughout Alberta from March 14 to 20, 2007 with the theme "Protect Your Moving Parts."

Goal 5 Performance Measures	2005 - 2006 Result	2006 - 2007 Target	2006 - 2007 Result	2007 - 2008 Target
5.a Percentage of managers surveyed indicating the use of risk management tools for improved decision making.	22%	NA[1]	22%[2]	NA[1]

[1] Targets for this measure are not applicable for the 2006-2007 and 2007-2008 fiscal years as a survey is completed every third year for this measure. The next survey will be completed in the 2008-2009 fiscal year.

[2] The 2006-2007 result for this measure is the same as the previous year as it is based upon the most recent data available.

Goal 6: Effective Programs for Industry Competitiveness and Growth

AFSC in association with the Ministry of Agriculture and Food (AF) focus their efforts under this goal on working with partners and stakeholders in establishing effective business risk management programs and ensuring that primary agriculture producers and agribusinesses have access to disaster response programs when disasters occur outside their control.

Reviews of program design and internal processes/structures, consultations with producers and industry/commodity associations and working in partnership with other provincial and federal government colleagues are the means through which improvements to the Canadian Agricultural Income Stabilization (CAIS) and Production Insurance programs are achieved.

Improvements to the CAIS and Production Insurance programs have had a positive impact on the achievement of AFSC and Ministry outcomes. The Ministry continues to work to improve all areas of focus in the five chapters of the Agricultural Policy Framework (APF).

Goal 6 Expense $825.1 million

Key contributions to achievement:

- Development and delivery of relevant, bankable and responsive programs.
- Working with stakeholders to improve the current suite of programs available to farmers.
- Enhancement of programs as required, including the CAIS Program and Production Insurance.
- Deliver support for disaster recovery following uninsurable damage to farms.

Strategy

Design and deliver production risk and income stabilization programs through the Agricultural Policy Framework Agreement.

Results

- AFSC implemented an enhancement to the CAIS Program through the Agricultural Policy Framework that helped farmers affected by declining commodity prices.
- AFSC developed and implemented hybrid and identity-preserved seed canola insurance plans, a spot loss policy to cover wildfire on pasture, a weather-based hay top up plan and a catastrophic benefit for annual and perennial crop plans for 2007.
- The Ministry significantly expanded the weather station network by adding 40 new weather stations in 2007.
- AFSC completed Input Advisory Group meetings with producers to obtain direction on design changes to its yield coverage and premium rating systems.
- Provided CAIS Program Beginner Farmer Margins.
- Partnered with the federal government to organize four federal-provincial-territorial public forum consultations to seek input from Albertans on the proposed Next Generation Agricultural Policy Framework.
- Organized an industry consultation to develop a consensus on industry's vision and priorize principles to guide the Ministry in the development of future agricultural policy and programming under the Next Generation Agricultural Policy Framework.
- Received federal and provincial sign-off on Implementation Agreement Amendment #9 and its related Collateral Agreement for the use of unspent funds. These agreements provide federal funds to support additional provincial initiatives under the Agricultural Policy Framework in Alberta.

Strategy

Develop and deliver specific programs that increase industry competitiveness.

Results

- A premium reduction for Crop Insurance and Spring Price Endorsement provided more affordable risk management support to grains and oilseeds producers affected by low commodity prices and high input costs.
- AFSC implemented two Alberta-only enhancements to the CAIS Program. The Alberta Margin Enhancement Program provided additional benefits to industries significantly affected by low commodity prices and high input costs. The Alberta Reference Margin Initiative was implemented to help farmers facing back-to-back disasters.
- Implemented the 2005-2006 Canada-Alberta Farm Water Program; 1,270 producers applied for financial assistance to secure long term water supplies for their farm operation.
- Processed 26,824 applications under the Canada-Alberta Bovine Spongiform Encephalopathy (BSE) Surveillance Program to help Canada meet the required BSE testing level. This program encourages producers to submit eligible livestock to increase international confidence in Canadian beef.
- Issued 1,898 new registration numbers to producers under the Alberta Farm Fuel Benefit (AFFB) Program, providing them with access to marked fuel and farm plates, and contributing to competitive marketing of their agricultural products. Through existing internal compliance processes, 717 producers with active AFFB numbers were cancelled and no longer have access to the benefits of the program.

Strategy

Develop programs, where appropriate, that respond to significant events that impact business sustainability.

Results

- An evaluation of provincial activities relating to all BSE response programs has been completed. The analysis confirms that the Canada-Alberta and Alberta-only BSE programs positively contributed to sustaining the beef value chain during the BSE crisis.
- In partnership with Agriculture and Agri-Food Canada, recommended that producers in five counties and municipalities in the Peace Region affected by drought in 2006 be deemed eligible to defer their 2006 income tax on the sale of breeding livestock for one year under the Federal Livestock Tax Deferral Program. The delay in income tax payments will minimize the cash flow difficulties facing eligible producers in these areas.
- Administered the 2005 Southern Alberta Disaster Recovery Programs. 432 farmers are eligible to receive financial support for the loss of uninsurable items.

Goal 6 Performance Measure	2005 - 2006 Result	2006 - 2007 Target	2006 - 2007 Result	2007 - 2008 Target
6.a Percentage of seeded acres for major crop categories insured under production insurance:				
• annual crops	64%	60%	65%	64%
• perennial crops	29%	25%	23%[1]	25%
6.b The per cent of Alberta farm cash receipts represented by Alberta participants in the Canadian Agricultural Income Stabilization Program.	76%	88%	76%[2]	70%-75%

[1] Most producers participating in AFSC's perennial crops programs are livestock producers who insure primarily to protect their feed supply. The 2006 year was an excellent year, resulting in an increase in the carry-over supplies of hay and other feed. As a result, many producers chose to self insure in 2007.

[2] 12% lower than the target. The variance is primarily due to the revision made to the methodology in 2005-2006. Inter-farm sales were included in the denominator to make Alberta farm cash receipts comparable to farm cash receipts covered by Alberta participants in the CAIS Program. Performance targets starting from 2007-2008 have been revised to reflect the new methodology.

Performance Measures Methodology

Core Business One: Facilitate Sustainable Industry Growth

Goal 1: Sustainable Growth of the Agriculture and Food Industry

1a Number of value-added products developed and successfully introduced to market with assistance from the Ministry.

This measure captures the number of value-added products developed and successfully introduced to market through the efforts of Ministry staff. The purpose of the measure is to determine the contribution the Ministry makes to the growth of Alberta's value-added industry. It is also used to assess the ability of the Ministry to focus on Alberta's value-added industry.

Product development activities encompasses projects where staff assisted industry clients in one or more of the following areas: product formulation, shelf-life, packaging, sensory evaluation, marketing and commercialization. "Introduced to market" refers to a product that has obtained a listing at retail or food service, domestically or internationally. The term also includes products that have been sold as ingredients for further manufacturing. Value-added includes value-added food, beverage and bio-industrial products.

Calculation method

An annual Measure Report is prepared from the data supplied by four divisions: Food Processing Development, Commercialization, Agri-Business Expansion and Bio-Industrial Technologies. The total number of value-added products involving project work conducted by staff and successfully introduced to market by industry, as listed in the annual Measure Report, is counted and reported.

Data limitations

The successful launch of new products may take several months after new product development work is completed. This timing may result in some products being recorded in a fiscal year subsequent to the year in which the product development work occurred. Information reported by industry clients regarding the market success of their products is not confirmed. There is also no weighting done in terms of value; that is, the measure simply records the number of products introduced to market and does not attempt to reflect the value of sales generated. The data is limited to project work completed in the Industry Development Sector, as this sector works directly with industry clients on value-added products. No attempt is made to measure indirect efforts with industry clients by staff in the Industry Development Sector or other sectors in the Ministry that may have resulted in a value-added product.

1b Research and development investment by collaborators leveraged through Ministry resources.

This measure is an attempt to demonstrate the dollar value of investment by collaborators in research and development (R&D) initiatives involving Ministry resources. Collaborators include industry organizations, private companies, universities and government agencies. The measure reports on four program areas that cover R&D activities. They are value-added processing, livestock development, crop diversification and environmental stewardship.

This measure provides an indication of the Ministry's success in building partnerships and leveraging its resources in R&D with cash contributions from collaborators. To make the best possible use of resources and to more effectively respond to industry needs, Ministry scientists explore all possible opportunities to form partnerships with scientists from outside organizations. These relationships allow them to leverage funds and expand the pool of scientific talents that are devoted to research.

Calculation method

The Ministry's Policy Secretariat prepares a report annually of Ministry R&D and related scientific activities (RSA). Ministry results contribute to an annual review of government R&D conducted by Alberta Advanced Education and Technology (AET). The data is also used in responding to a Statistics Canada annual survey. Statistics Canada uses the survey results as indicators of national science and technology activities. In preparing the Ministry's response to AET's annual review, Policy Secretariat co-ordinates responses from seven Ministry divisions that are involved in R&D and RSA. The questionnaire collects information on a division's fiscal year R&D expenditures and corresponding levels of collaborator funding.

Data limitations

The distribution of questionnaires is limited to seven Ministry divisions that have been determined to account for the Ministry's R&D and RSA activities in four program areas. The four areas are value-added processing, livestock development, crop diversification and environmental stewardship. Although data on in-kind contributions from collaborators is collected, this measure only reflects cash contributions from collaborators. As a result, it likely understates the 'true' amount of leveraged resources invested by collaborators. However, reported in-kind contributions are less reliable as they are based on estimates that can be subjective in nature.

1c Investment supported by AFSC lending services.

This measure reports the total dollar investment in rural business (including farm lending) as a result of AFSC's involvement in financing and consulting services. In addition to direct lending products that can result in investment, AFSC also has a number of alliance partnerships with organizations such as Farm Credit Canada and Credit Union Central that help facilitate investment in rural business. Dollar investment is defined as any fund (i.e., debt, equity, investment) that would be used to support the growth of rural business. The purpose of this measure is to determine the total dollar investment as a result of AFSC's involvement in the facilitation of capital investment in rural businesses (including farm lending) through its lending products, services and partnerships.

Calculation method

Rural agri-business investments (from all sources are included whether it is direct from AFSC, other sources of debt, business owner's equity, or investment by a third party) are added up and reported as total dollar investment in rural businesses. Farm lending amounts (direct loans only) are reported through AFSC's computer system and summarized by year. The two amounts, total investment in rural business and total amount of farm loans, make up the total in the 2006-2007 actuals.

Data limitations

None reported.

2a Number of surveillance and monitoring initiatives designed to measure hazards in food production.

This measure tracks active projects that identify the presence of hazards in food production at any stage of the farm to fork continuum. The definition of active projects no longer includes projects that are in the report writing stages. In previous years, projects in the report writing stages were considered active. This measure does not include method development, animal health, market access projects or projects that monitor surface waters. Nor does it include ongoing food safety programs.

Calculation method

The figure provided for this measure is derived from Food Safety Division entries in the Ministry's project reports database. The number of surveillance programs that identify hazards in food production is determined from a straight accounting of active surveillance programs in the fiscal year. The responsible reporting party reviews the final tally of active food safety projects for accuracy.

Data limitations

Surveillance programs may begin and end in different fiscal years; as a result, there may be a variety of projects in different stages of implementation and completion. Consequently in one given year, projects that are completed may have been initiated in a previous year or years. Consequently, a single project may be included in the total figure for this measure for more than one year.

2b Per cent of Alberta production produced under on-farm food safety (OFFS) programs: chicken farms, hog farms, beef feedlots and dairy.

The purpose of this measure is to encourage the production of safe agri-food products by primary producers in Alberta through the implementation of on-farm food safety (OFFS) programs. On-farm food safety programs are preventative Hazard Analysis Critical Control Point (HACCP) based programs that enable systematic review and control of food safety hazards through good production practices during primary production.

Food safety programs belong to national producer organizations and provincial producer groups, delivery agents or boards who work with producers of that commodity. These groups, agents or boards collect data on the producer's implementation of OFFS programs and work with the Ministry to provide the data required when requested. Data collected may include the number of producers enrolled in the OFFS program, the number of producers who have participated in OFFS workshops and the number of producers who have been audited and certified/recognized (terms to denote producers who have successfully been audited vary by commodity with terms such as recognized and certified).

Calculation method

Total primary production of food animals (i.e., not breeder animals) produced under an OFFS program, divided by total production in the province (from Statistics Canada).

Data limitations

The Ministry relies on external partners to collect these figures, some of which may be estimates.

The data is collected by the commodity groups according to each organization's fiscal year. The total production figures collected by Statistics Canada are not usually available for the most recent year. In addition, Statistics Canada figures are based on calendar years. Therefore, the Statistics Canada total production figures may not correspond to the exact same period as the figures supplied by the commodity groups.

The Alberta Beef Quality Starts Here (ABQSH) group does not keep production statistics. They do maintain a list of feedlot and cow/calf producers that follow the ABQSH program. However, separate lists are not maintained for feedlot operators.

2c Per cent of Alberta licensed food production facilities that have added a preventative system to their existing food safety system: meat and dairy.

This measure tracks the success of Ministry staff in their efforts to encourage Alberta meat and dairy processors to improve existing food safety systems in their facilities by implementing an additional food safety program. Preventative systems may be Hazard Analysis Critical Control Points (HACCP) systems or HACCP-based systems. HACCP and HACCP-based food safety systems provide a systematic, preventative program for the identification and control of food safety hazards.

Calculation method

The percentage of Alberta licensed food processing plants (meat and dairy) that have implemented appropriate food safety process control systems is calculated from the proportion of plants that have implemented food safety process control systems to the total number of plants. Data on the addition of preventative systems by provincially-licensed meat and dairy processing plants is obtained from the Regulatory Services Division audit records.

Data limitations

The Ministry does not control HACCP adoption. Unless adoption becomes a mandatory requirement, market drivers can only influence HACCP adoption.

An auditing plan to recognize meat processing plants (abattoirs) that have added a preventative food safety system is not yet fully underway. However, a protocol to assist operators of licensed abattoirs to comply with future meat facilities standards (MFS II), which include HACCP adoption, was developed. The protocol will enable regular, partial maintenance audits to be conducted by third party auditors, to ensure compliance with MFS II.

Core Business Two: Enhance Rural Sustainability

Goal 3: Improved Environmental Stewardship

3a Percentage of producer survey respondents who have adopted improved environmentally sustainable agriculture practices (formal evaluation every three years; next survey to be completed in 2006-2007).

A formal survey, including telephone survey and written responses, of approximately 500 producers is conducted every three years. This survey assesses awareness, attitudes and adoption of environmentally sustainable agriculture (ESA) practices and any effect that the Alberta ESA program may have had.

The sample population for this survey is now based on a subscription list of commercial farmers maintained by Farm Business Communications. The 2005-2006 result is based on previous methodology that can be found in the Performance Measures Methodology section of the 2005-2006 Ministry Annual Report. Five hundred farmers participated in the telephone survey, and 268 (56%) of these completed a follow-up mail survey. The margin of error for a sample size of 500 is +/- 4.4%, while the margins of error for the regional samples of 100 are +/-10.0%. In other words, if this survey were conducted 20 times, the responses would be within the stated margins of error 19 times out of 20. For the mail portion of the survey, a sample size of 268 yields a margin of error of +/-6.1%.

Calculation method
Data analysis consisted of grouping the data according to the following headers:

- region (5 regions)
- gross farm revenue in 2003 (under $25,000, $25,000 to $99,999 and $100,000 and over)
- farm type (crop-only, livestock-only and mixed)
- stage of farm operation (three groupings)
- farmer education and training
- attitude cluster (three types)

Cluster analysis is a statistical technique used in market research to group or segment respondents into "like" categories based on their pattern of response to the series of 25 attitude statements asked on an agree/disagree scale. In this case, a seven-point scale was used, and three clusters were identified.

Data limitations
None. The survey is statistically sound, and margins of error are reported in the survey report.

3b Number of producers provided with specific training and technical support to enable development of environmental farm plans

This is a measure of the uptake of specific training targeted towards environmental farm plan (EFP) development. Once completed, EFPs are an indication of the uptake of and improvement in environmental stewardship planning on Alberta farms.

Producers are required to participate in two training workshops to enable them to develop an environmental farm plan (EFP) for their farming operation. This training is provided by the Alberta Environmental Farm Plan (AEFP) Company, through financial and technical support from Alberta Agriculture and Food (AF) and Agriculture and Agri-Food Canada (AAFC). The AEFP Company is a tripartite partner with AAFC and AF on the Environment Chapter of the Agricultural Policy Framework. Once a producer has completed both workshops, he/she is then eligible to complete an EFP and is counted under this measure.

Calculation method
The calculation is a cumulative addition of participants completing both Workshop I and II of the Alberta Environmental Farm Plan Program as reported in the annual report of the Alberta Environmental Farm Plan (AEFP) Company.

Data limitations
None. This is a straightforward cumulative total, based on the annual report for the AEFP Company. Information in the annual report is auditable and forms the basis for operational payments from AAFC to the AEFP Company.

4a Number of rural businesses assisted by AFSC Lending Services.

This measure tracks the effect of AFSC's involvement in supporting the growth of businesses in rural Alberta by counting the total number of rural businesses that receive financial assistance as a result of AFSC's involvement in financing and consulting services. A rural business is defined as any business outside Edmonton or Calgary.

Calculation method

AFSC maintains records of rural businesses assisted as part of its regular monthly reporting including the Account Manager involved and the business involved. This measure is a simple summation of all rural businesses securing financing, facilitated by AFSC lending services, as reported in AFSC's records.

Data limitations

None.

4b Total investment in rural businesses facilitated through AFSC Lending Services.

This measure determines the total dollar investment in rural Alberta business as a result of AFSC's involvement with the facilitation of capital investment through its lending products and partnerships. Rural businesses are any businesses outside Edmonton or Calgary. AFSC has direct lending products that can result in investment, as well as a number of alliance partnerships to help facilitate investment in Alberta business.

Calculation method

AFSC maintains records of incremental investment as part of its regular monthly reporting including the Account Manager involved and the business involved. Incremental investment in rural Alberta business from all sources is included whether it is direct from AFSC, other sources of debt, business owner's equity or investment by a third party and reported as total dollar investment in rural Alberta business. The calculation for this measure is a summation of incremental investment in rural Alberta business from all sources, as reported in AFSC's records.

Data limitations

None.

4c Percentage of Ministry supported, agricultural-related community activities that focus on leadership development

In an effort to improve the efficiency and effectiveness of the Agricultural Society Program, both the number and diversity of activities undertaken by agricultural societies are measured. Program guidelines and procedures are designed to increase both the number and effectiveness of the leadership activities without increasing the overall funding envelope. The Agricultural Society Program collects information on activities, volunteer hours and attendance from individual agricultural societies by means of a voluntary report form.

The 4-H program offers a variety of events and learning opportunities for rural youth and adults. 4-H staff collect data for each program event, including the number of attendants. This data is reported quarterly in reports submitted by 4-H staff on their programs. All 4-H program events were submitted under the leadership development category.

The Agricultural Initiatives Program applications were categorized according to the calculation method.

Calculation method
Responses from the Agricultural Societies Report Form are collected and returned to the Agricultural Society Program. The data is then entered into the AgSocactivities database. All activities are coded into categories. The data is further aggregated into the following activity areas:

- **Agriculture related activities** – refers to activities such as rodeos, fairs and livestock shows.
- **Ag business development** – includes any activities that promote agricultural business development and the development of the agriculture industry.
- **Ag education and skill development** – includes programs or projects that foster awareness of agriculture or improve/develops skills within the community.
- **Leadership development** – includes, training for volunteer staff, fees for conferences, workshops, seminars and sponsoring youth leadership development.
- **Community improvements** – includes any capital funding for infrastructure development and renovations, repairs and maintenance of infrastructure and operating costs of facilities as well as all capital projects from the Agricultural Initiatives Program grant program.

The percentage of activities in the leadership development category is then calculated from the total of all activities.

Data limitations
Leadership skills take years to develop, and the results of the effective use of those leadership skills may take years longer to manifest. Therefore, it is very difficult to measure outcomes on an annual basis. As such, this is an output measure with no real indication of the results of these activities. The return rate of voluntary report forms is less than 100 per cent. Therefore, the results reflect only those agricultural societies that reported their activities.

4d Percentage of rural youth and adults participating in Ministry supported programs that report effective learning from those programs.

Ministry supported 4-H programming includes all 4-H programs and events coordinated, supervised and initiated by department staff. The 4-H Branch has been using KASA measurements for a number of years; KASA measures positive changes in Knowledge, Attitudes, Skills and Aspirations.

The measure is used to provide feedback on the effectiveness of 4-H programs. The numbers are analyzed, and efforts are made to maintain the KASA results each year. The results of this measure are used to assess changes required to the program content to enhance KASA results. Each program is designed to meet different objectives. In total, 23 objectives have been defined, including personal development and self esteem, learning communication and presentation skills, demonstrating technology transfer, appreciating history, heritage and community as well as learning rural/economic renewal.

Calculation method
The data for this measure is obtained through the use of written evaluations at each program. Certain questions, used to measure KASA, are consistently asked on evaluations. The results are compiled and stored electronically in a database, with the hard copies stored separately. Each question on the survey has either four possible answers, Yes, No, Unsure, Not Applicable, or a short response. A "Yes" response is considered to be a positive change; a "No" or "Unsure" is not considered positive change. An "NA" is not considered in the response calculation. Answers to the short response questions are considered positive if they are answered with a definite response (for example, The skill I learned was...). If there is no answer or a nonsense answer, the response is considered to be negative.

Data limitations

Completion of evaluations is voluntary, but historically, most programs have a very high return rate. A small portion of the 4-H members may reside in urban centres.

Core Business Three: Strengthen Business Risk Management

Goal 5: Effective Risk Management Decisions by Agricultural Business Managers

5a Percentage of managers surveyed indicating the use of risk management tools for improved decision making.

For the purpose of this measure, "managers" refers to primary producers in Alberta who are most responsible for their farms and whose gross income was $50,000 or more in 2004. This measure was designed to determine the percentage of producers that a) are using risk management tools and b) report improvement in their ability to make effective decisions. A risk management tool is defined as an analytical process or a decision aid. Risk management tools can be used to identify and measure risk, and to assess alternative strategies, technologies and practices.

Calculation method

Data were collated primarily from the 2006 Risk Management Survey, an Agricultural Risk Management Survey prepared for the Ministry's Strategy and Business Planning Division by Serecon Management Consulting Inc., in April 2006. Respondents for the 2006 Risk Management Survey were selected from a purchased list of commercial farmers maintained by Farm Business Communications (publishers of several prominent farm periodicals). It is assumed that farmers on this list are representative of the general population of Alberta farmers. A frequency analysis was used to calculate a benchmark for this measure.

The calculation is the product of:

- The number of respondents that indicated the use of at least two of options 1, 2, 4 and 5 in question 17 of the survey, ***and***
- The number of respondents that in question 18 of the survey indicated "great" or "some" improvement in their "ability to make better risk management decisions."
- The product of these two numbers is the proposed benchmark.

Options 1, 2, 4 and 5 were selected to represent a more sophisticated level of risk management decision making than would be the case if all seven options were included. Statistical calculations related to the measure have a margin of error of +/- 3.6%.

Data limitations

Data limitations include non-subscribers to Farm Business Communications (the source of the original survey list), non-contactable subscribers (due to privacy legislation compliance), unreachable sample (due to wrong phone numbers, answering machine, busy, no answer, etc.) and non-response/failure to return mail survey." The survey sample size was based on 2001 Census of Agriculture, and obsolescence is a major concern.

6a Per cent of eligible seeded acres for major crop categories insured under Production Insurance for annual crops and perennial crops.

The purpose of this measure is to examine the use of crop insurance to mitigate the business risk of growing annual and perennial crops. Annual crops refer to those that are seeded every year. Perennial crops refer to crops that do not need to be seeded every year and last for several years. "Eligible crops" are insurable under the crop insurance program. Approximately 99.7 per cent of acres seeded in Alberta are sown to eligible crops.

Calculation method

Data for this measure are collected from three sources, Statistics Canada, 2006 Census of Agriculture, the Agri-Food Statistics Update, December 14, 2006, supplied by Statistics Canada and prepared by the Statistics and Data Development Unit, Alberta Agriculture and Food, and the Production Insurance Program Management System, a secured program management application, accessible only by AFSC staff.

To determine the percentage of eligible seeded acres, the total eligible seeded acres for each crop category (annual and perennial) insured under the crop insurance program for the year under review is calculated by summation. The total eligible seeded acres in Alberta are then calculated from the above data sources. The total insured acres are then divided by the total eligible acres for each crop category.

Data limitations

None reported.

6b The per cent of Alberta farm cash receipts represented by Alberta participants in the Canadian Agricultural Income Stabilization Program.

The intent of this measure is to determine the participation of producers in the CAIS Program for the 2005 tax year and over time, to determine the participation of producers in the CAIS Program on an ongoing basis. CAIS participants are those that have elected to participate in CAIS by filing an options notice and have supplied tax information and supplementary information by the appropriate deadlines. Farm cash receipts include market receipts and program payments.

Calculation method

Data for this measure were collated from two sources, the Ministry's Statistics and Data Development Unit and the CAIS Program Management System, a secured program management application, accessible only by AFSC staff. Program summary data was provided by AFSC, Lacombe.

To determine the reported result, the total amount of farm cash receipts represented by CAIS participants in Alberta for 2005 is divided by the total farm cash receipts for Alberta for 2005. Total gross income for authorized claims for CAIS participants for the 2005 tax year is $7,469,109,046. The total farm cash receipts for Alberta for 2005 were $9,777,814,000. The division of these two numbers results in a percentage of 76 per cent.

Data limitations

Information provided by the Ministry is a preliminary estimate and may change slightly as more data is accumulated.

Financial Information

Financial Statements

AUDITOR GENERAL *Alberta*

AUDITOR'S REPORT

To the Members of the Legislative Assembly

I have audited the consolidated statement of financial position of the Ministry of Agriculture and Food as at March 31, 2007, and the consolidated statements of operations and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Ministry's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Ministry as at March 31, 2007, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

[Original signed by Fred J. Dunn]
FCA
Auditor General

Edmonton, Alberta
May 24, 2007

[The official version of this Report of the Auditor General, and the information the Report covers, is in printed form.]

Consolidated Statement of Operations for the Year Ended March 31, 2007
(in thousands)

	2007 Budget	2007 Actual	2006 Actual (Restated - Note 3)
Revenues			
Transfers from Government of Canada	$ 303,354	$ 250,626	$ 299,071
Premiums from insured persons	123,646	132,412	141,524
Interest and investment income	85,688	96,791	82,686
Fees, permits, licenses and other income	11,811	29,379	30,353
Internal government transfers	22,220	22,220	22,220
Reinsurance recoveries	–	–	10
Ministry revenue	**546,719**	**531,428**	575,864

continued

continued

Consolidated Statement of Operations for the Year Ended March 31, 2007
(in thousands)

	2007 Budget	2007 Actual	2006 Actual (Restated - Note 3)
Expenses (Schedule 1)			
Program –			
Farm income support	337,928	572,710	491,758
Insurance	374,282	216,173	255,290
BSE recovery program	–	–	18,853
Industry development	46,793	45,708	81,896
Rural services	36,216	36,641	34,910
Environment and food safety	78,325	62,877	57,704
Planning and competitiveness	13,097	12,489	11,203
Farm fuel distribution allowance	33,500	32,446	33,295
Lending	27,147	25,438	27,350
Infrastructure assistance	29,000	50,515	29,442
Ministry support services	13,687	13,188	14,632
Program expense	**989,975**	**1,068,185**	1,056,333
Other –			
Debt servicing costs	48,347	45,135	44,849
Valuation adjustments	2,359	2,732	(2,175)
	50,706	**47,867**	42,674
Ministry expense	**1,040,681**	**1,116,052**	1,099,007
Gain (loss) on disposal of tangible capital assets	–	269	(21)
	–	**269**	(21)
Net operating results	**$(493,962)**	**$(584,355)**	$(523,164)

The accompanying notes and schedules are part of these consolidated financial statements.

Consolidated Statement of Financial Position as at March 31, 2007

(in thousands)

	2007	2006 (Restated - Note 3)
Assets		
Cash	$ 316,230	$ 163,501
Accounts receivable	125,883	143,940
Due from Government of Canada	338,680	372,365
Loans receivable *(Schedule 2)*	1,009,300	973,088
Investments *(Schedule 3)*	423,144	238,459
Tangible capital assets *(Schedule 4)*	68,233	63,921
	$2,281,470	**$1,955,274**
Liabilities		
Accounts payable and accrued liabilities	$ 63,885	$ 102,823
Indemnities payable	591,091	456,883
Allowance for loan guarantees	2,060	3,428
Unearned revenue	10,511	11,008
Due to Crop Reinsurance Fund of Canada for Alberta	1,847	16,630
Notes and interest payable to the Province of Alberta *(Schedule 5)*	931,371	897,059
	1,600,765	1,487,831
Net Assets		
Net assets at beginning of year	467,443	188,087
Net operating results	(584,355)	(523,164)
Net transfer from general revenues	797,617	802,520
Net assets at end of year	680,705	467,443
	$2,281,470	**$1,955,274**

The accompanying notes and schedules are part of these consolidated financial statements.

Consolidated Statement of Cash Flows for the Year Ended March 31, 2007

(in thousands)

	2007	2006 (Restated - Note 3)
Operating Transactions		
Net operating results	$(584,355)	$(523,164)
Non-cash items	9,649	2,732
Proceeds on disposal of non-capital assets	33	93
Net change in operating assets and liabilities	127,097	(113,660)
Cash applied to operating transactions	**(447,576)**	(633,999)
Capital Transactions		
Acquisition of tangible capital assets	(13,997)	(14,987)
Transfer of tangible capital assets	(1,523)	(7)
Disposal of tangible capital assets	622	468
Cash applied to capital transactions	**(14,898)**	(14,526)
Investing Transactions		
Proceeds from repayments of loans receivable, advances and sale of properties	176,345	190,142
Loan and advance disbursements	(218,971)	(184,199)
Purchase of investments	(969,420)	(680,013)
Proceeds on disposal of investments	784,674	614,452
Cash applied to investing transactions	**(227,372)**	(59,618)
Financing Transactions		
Borrowing from the Province of Alberta	832,348	568,581
Repayment of borrowing from the Province of Alberta	(796,051)	(584,385)
Government of Canada funding for capital assets	3,138	3,432
Province of Alberta funding for capital assets	5,523	5,218
Net transfer from general revenues	797,617	802,520
Cash provided by financing transactions	**842,575**	795,366
Increase in cash	152,729	87,223
Cash, beginning of year	163,501	76,278
Cash, end of year	**$316,230**	**$ 163,501**

The accompanying notes and schedules are part of these consolidated financial statements.

Notes to the Consolidated Financial Statements for the Year Ended March 31, 2007

Note 1 Authority and Purpose

The Minister of Agriculture and Food has been designated as responsible for various Acts by the *Government Organization Act* and its regulations. The purpose of the Ministry is to enable the growth of a globally competitive, sustainable agriculture and food industry through essential policy, legislation, information and services.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. These consolidated financial statements are prepared in accordance with the following accounting policies that have been established by government for all Ministries.

(a) Reporting Entity

The Minister of Agriculture and Food administers the organizations listed below. The authority under which each organization operates is also listed. Together, these organizations form the Ministry of Agriculture and Food and constitute the reporting entity.

Organization	Authority
Department of Agriculture and Food (the Department)	*Government Organization Act*
Agriculture Financial Services Corporation, *including the Crop Reinsurance Fund of Alberta* (the Corporation)	*Agriculture Financial Services Act*

The financial statements for the individual entities provide more detailed information about the operations of each entity.

(b) Method of Consolidation

The accounts of the Department, regulated funds and provincial agencies are consolidated after adjusting them to a basis consistent with the accounting policies described below in (c). Revenue and expense transactions, investing and financing transactions, and related asset and liability accounts between entities within the Ministry have been eliminated.

(c) Basis of Financial Reporting

Revenues – All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year-end is recorded as unearned revenue. Interest revenue on loans receivable is recognized as earned unless the ultimate collection of the loan is in doubt. When a loan is classified as impaired, interest revenue is no longer recognized. An impaired loan is a loan in which there is a risk of loss for full and timely collection of the debt. Impairment may be due to a security deficiency, inadequate cash flow, economic factors in a specific segment of the industry or a catastrophic event.

Premiums from insured persons, including federal government contributions for crop insurance, are recognized as income when invoiced to producers.

Funds collected under various agreements are restricted contributions subject to externally imposed conditions that specify the purpose for which the funds are to be used. Restricted contributions are recognized as revenue in the period in which the related expenses are incurred. Restricted contributions received for future expenses are deferred until that future period when they are transferred to revenue.

Government Transfers – Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return.

Transfers from Government of Canada are recognized as revenues when authorized by federal legislation or federal/provincial agreements, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

Expenses

Directly Incurred – Directly incurred expenses are those costs for which the Ministry has primary responsibility and accountability, as reflected in the Government's budget documents.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets.
- pension costs, which comprise the cost of employer contributions for current service of employees during the year.
- valuation adjustments, which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities.
- provision for doubtful accounts and guarantees. The provision includes amounts established for specifically identified potential losses on loans and guarantees as well as general allowances for losses that do not meet the specific provision criteria. Since the amounts and timing of future cash flows cannot be estimated with reasonable reliability, specific provisions are established by discounting the estimated fair value of security. The change in the present value attributed to the passage of time on the expected future cash flow is adjusted against the provision for doubtful accounts.

Grants are recognized as expenses when authorized, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

Incurred by Others – Services contributed by other entities in support of the Ministry operations are disclosed in Schedule 7.

Assets – Cash consists of deposits in the Consolidated Cash Investment Fund, which is managed by Alberta Finance to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital.

Due to the relatively short period to maturity, short-term financial instruments are valued at cost and adjusted for allowance for doubtful accounts, if applicable. The resulting net book value is considered to be equivalent to fair value. This approach applies to cash; accounts receivable; due from Government of Canada; due to Crop Reinsurance Fund of Canada for Alberta; accounts payable and accrued liabilities; and indemnities payable. Allowance for losses on loan guarantees does not have fair value disclosed due to the difficulty in determining the amount. Fair values of loans receivable; investments; and notes and interest payable to the Province of Alberta are disclosed in their respective schedules and notes.

Investments are carried at cost or amortized cost, unless there is an other than temporary decline in the value of the investments, then the investments are written down to recognize the loss. Premiums and discounts on investments are amortized to investment income using the straight-line method over the period to maturity of the related investment. Gains and losses realized on disposal of investments are included in investment income.

Loans made on significant concessionary terms are discounted. The amounts outstanding are discounted to their estimated present value. The amounts discounted are amortized to revenue over the lives of the concessionary terms.

Tangible capital assets of the Ministry are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. Tangible capital assets are restricted to those acquired for cash or exchanged for other assets.

Liabilities – Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Net Assets – Net assets represent the difference between the carrying value of assets held by the Ministry and its liabilities.

Measurement Uncertainty (*in thousands*) – Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount.

Accounts Receivable – Accounts Receivable, recorded as $125,883 (2006 – $143,940) in these financial statements, includes $15,391 (2006 – $88,502) for estimated overpayments for the Canadian Agricultural Income Stabilization (CAIS) program that is subject to measurement uncertainty. The estimate of $15,391 (2006 – $88,502) is for CAIS participants who have received advance payments but have not yet had their final claim processed by the Ministry. The estimate is based on historical experience of advances resulting in overpayments.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

The allowance for doubtful accounts of $10,372 (2006 – $2,285) for estimated losses on premiums receivable and overpayments is also subject to measurement uncertainty. The allowance estimate is based on an assessment of the ability to collect the outstanding balance.

CAIS overpayments are non-interest bearing until December 31, 2007. Participants will receive a rebate if they repay the CAIS overpayment within 90 days of the overpayment notification or they can convert the overpayment to an interest bearing loan up until December 31, 2007. If the overpayment is not repaid or converted to a loan, the Ministry will pursue collection. Collection will include the recovery of the overpayment from future payments under the programs delivered by the Province of Alberta and Government of Canada.

Loans Receivable – Loans receivable, recorded as $1,009,300 (2006 – $973,088) in these financial statements, include a specific allowance of $12,180 (2006 – $9,206) and a general allowance of $18,499 (2006 – $28,224) that are subject to measurement uncertainty. The amount established for specific and general allowances of $30,679 (2006 – $37,430) to cover estimated losses on loans could change substantially in the future, if factors considered by management in establishing these estimates were to change significantly.

Provisions are established for specifically identified potential losses on loans. When a loan is identified as impaired, a specific provision is established. Specific provisions are established by reducing the recorded investment in the loan by the discounted fair value of the security and the estimated costs to collect. Specific provisions are determined in this manner because the amounts and timing of future cash flows cannot be estimated with reasonable reliability. The provision for doubtful accounts is adjusted for the change in the present value of the security held.

In addition to the specific provision, the Ministry establishes a general allowance for doubtful accounts not meeting the specific provision criteria. The general allowance is management's estimate of loss on loan balances based on assessed risk for each account. Risk for each account is determined based on credit risk score, debt servicing ratios, net capital ratios, arrears, certain amendments to loan terms and shortfalls of security covering loan balances.

Indemnities Payable – Estimated indemnities payable, recorded as $591,091 (2006 – $456,883) in these financial statements, and corresponding indemnities expense and contributions and receivables from the Government of Canada are subject to measurement uncertainty because they could change significantly in the future, if factors considered by management in establishing the estimates were to change significantly.

Included in estimated indemnities payable are CAIS indemnities amounting to $580,973. This includes estimated payments for the 2006 claim year of $320,377 for the vast majority of claims that have not yet been received because the deadline for submission of complete information is after the fiscal year end. CAIS program payments are triggered when the participant's claim-year program margin falls below their support level.

The two factors impacting estimated indemnities payable for the 2006 claim year are the number of participants and estimated program margins. The estimated number of participants for the 2006 claim year is based on the number of farm operations participating in the program during the 2005 claim year. The estimated program margins are based on forecasted changes in eligible income and expenses and inventories between 2005 and 2006. Based on historical experience of variability between forecasts and actual results of key assumptions, the estimated indemnities for the 2006 claim would range from $270,971 to $377,362.

CAIS indemnities payable includes estimated payments of $135,485 for claims received but not processed for the 2004 and 2005 claim years. The estimates for the 2004 and 2005 claim years are based on the number of claims received but not yet processed and the estimated average payment per claim.

CAIS indemnities payable also includes estimated payments of $125,111 for related programs. The related programs were approved by the Government of Alberta for the 2003, 2004, 2005 and 2006 claim years. The estimate is based on the historical payment ratio for claims processed.

Note 3 Government Reorganization

(in thousands)

As a result of restructuring of government ministries announced on December 13, 2006, responsibility for Rural Development was transferred to the Ministry of Employment, Immigration and Industry. Comparatives for 2006 have been restated as if the Ministry had never been assigned responsibility. Net assets on March 31, 2005 is made up as follows:

Net Assets as previously reported	$187,949
Transfer to the Ministry of Employment, Immigration and Industry	138
Net Assets at March 31, 2005	$188,087

Administrative costs for 2006 have been restated as if the Ministry had always been assigned with its current responsibilities. The costs of certain administrative functions are now the responsibility of the Ministry of Service Alberta. The Ministry of Service Alberta continues to provide the Ministry with the services related to these administrative functions, but no consideration is exchanged.

Note 4 Credit and Interest Risk

Credit Risk – Credit risk is the risk that debtors may not pay amounts owing to the Ministry. To manage this risk, the Ministry closely monitors and counsels high-risk accounts, such as beginning and developing agricultural loans. Security requirements proportionate to the degree of risk in each particular operation are also enforced.

The concentration of credit risk for insurance contracts held with reinsurers is monitored through a reinsurance broker who also evaluates the financial condition of each reinsurer. There is no significant reliance on any one reinsurer.

For insurance premiums receivable, a discount is provided for early payment of premiums. Payment arrangements are set for all customers not taking advantage of the offered discount. Outstanding premiums are closely monitored and collection action is taken promptly when required. Insurance contracts cannot be renewed if premiums for the prior year are outstanding at the renewal date.

Interest Risk – Interest rate risk is the impact future interest rate changes have on the financial position of the Ministry. This risk is managed by monitoring the mix of short, medium, and long-term lending and matching with terms of amounts borrowed.

The gaps between the loans receivable and notes and interest payable to the Province of Alberta represent the mismatching of the financing portfolio with that of the loan portfolio at March 31, 2007. The gaps provide an indication of interest rate exposure, or the potential risks to the Ministry if interest rates change.

Note 4 Credit and Interest Risk (continued)

	Term to Maturity [1]						
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	Not Interest Rate Sensitive [2]	2007 Total	2006 Total
				(in thousands)			
Farm loans	$ 72,406	$280,080	$238,180	$256,249	$ (6,168)	$ 840,747	$810,332
Yield [3]	6.46%	6.29%	6.31%	5.84%	–	6.28%	6.59%
Commercial loans	$ 44,285	$100,999	$ 24,717	$ 1,641	$ (3,096)	$ 168,546	$162,752
Yield [3]	7.08%	7.12%	5.83%	8.67%	–	6.95%	6.94%
Rural utilities	$ 7	$ –	$ –	$ –	$ –	$ 7	$ 4
Total	$116,698	$381,079	$262,897	$257,890	$ (9,264)	$1,009,300	$973,088
Yield [3]	6.47%	6.36%	6.28%	5.83%		6.31%	6.61%
Notes payable Province of Alberta	$162,629	$468,414	$220,683	$ 72,006	$ 7,639	$ 931,371	$897,059
Yield [3]	5.13%	4.90%	4.99%	4.25%	–	4.96%	5.34%
Net gap before pre-payment adjustment	$(45,931)	$(87,335)	$ 42,214	$185,884	$(16,903)	$ 77,929	$ 76,029
Estimated prepayment	45,527	76,388	(24,688)	(97,227)	–	–	–
Net gap	$ (404)	$(10,947)	$ 17,526	$ 88,657	$(16,903)	$ 77,929	$ 76,029

(1) For loans, term to maturity reflects the period of time until an interest rate renegotiation date or the maturity date of the loan. For notes payable, term to maturity reflects the contractual maturity date of the debt. The interest rates are fixed until maturity. Repayment is either by semi-annual, annual installments or full repayment at maturity of principal.

(2) Includes general provisions, accrued interest, accrued beginning farmer incentive and unamortized loan discount.

(3) For notes payable, yield represents the rate which discounts future cash receipts to the carrying amount. For loans, yield represents the rate which discounts the stream of future payments from the reporting date to the next interest rate renegotiation date or the rate which discounts future cash receipts to the carrying amount.

This gap analysis does not include the investment portfolio because investments relate to insurance program cash flows which are managed separately from lending program cash flows.

Note 5 Contingent Liabilities

(in thousands)

At March 31, 2007, Ministry entities are defendants in ten legal claims (2006 – ten legal claims). These claims have specified amounts totaling $2,882 (2006 – $6,072). Included in the total legal claims are two claims amounting to $1,432 (2006 – one claim amounting to $1,332) in which the Ministry has been jointly named with other entities. Four claims amounting to $1,832 (2006 – two claims amounting to $4,533) are covered by the Alberta Risk Management Fund.

The resulting loss, if any, from these claims cannot be determined.

Note 6 Contractual Obligations

	2007	2006
	(in thousands)	
Approved, undisbursed loans	$ 67,911	$36,914
Estimated farm loan incentives	11,929	15,569
Reinsurance	15,600	15,500
Grants	16,505	4,447
Service contracts	5,689	3,719
Operating leases	858	1,003
	$118,492	$77,152

The operating lease commitments are for accommodations with terms up to five years.

The aggregate amounts payable for the unexpired terms of these contractual obligations are as follows:

	Approved, Undisbursed Loans	Estimated Farm Loan Incentives	Reinsurance	Grants	Service Contracts	Operating Leases	Total
			(in thousands)				
2008	$67,911	$ 2,868	$15,600	$15,101	$4,140	$710	$106,330
2009	–	2,630	–	1,152	1,221	113	5,116
2010	–	2,388	–	124	175	28	2,715
2011	–	2,143	–	128	147	7	2,425
2012	–	1,900	–	–	6	–	1,906
	$67,911	$11,929	$15,600	$16,505	$5,689	$858	$118,492

Note 7 Guarantees

	2007	2006	Expiry Date
	(in thousands)		
Feeder Associations	$44,424	$49,675	Ongoing
Agriculture Financial Services Corporation guarantees	26,336	29,939	Variable
Rural Utilities Act	62	183	Ongoing
Agricultural Societies Act	11	12	2015
	70,833	79,809	
Allowance for loan guarantees	(2,060)	(3,428)	
	$68,773	$76,381	

The majority of loan guarantees relate to loans made by other financial institutions with repayment guaranteed by the Ministry. Prior to issuing a loan, security is taken. The security taken depends on the nature of the loan.

The expiry date shown for guarantees under the *Agricultural Societies Act* is the latest expiry date for guaranteed loans under the program.

Note 8 Trust Funds Under Administration

The Ministry administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the Ministry's financial statements.

As at March 31, 2007 trust funds under administration were as follows:

	(in thousands)	
	2007	**2006**
4-H General Trust	$ 3	$ 51
Wheat Board Monies Trust Fund	138	96
Claude Gallinger Memorial Trust Fund	23	23
	$164	$170

Note 9 Defined Benefit Plans

(in thousands)

The Ministry participates in the multi-employer pension plans, Management Employees Pension Plan and the Public Service Pension Plan. The Ministry also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these plans is equivalent to annual contributions of $8,460 for the year ended March 31, 2007 (2006 – $7,859).

At December 31, 2006 the Management Employees Pension Plan reported a deficiency of $6,765 (2005 – $165,895) and the Public Service Pension Plan reported a surplus of $153,024 (2005 – deficiency of $187,704). At December 31, 2006, the Supplementary Retirement Plan for Public Service Managers had a surplus of $3,698 (2005 – $10,018).

The Ministry also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2007, the Bargaining Unit Plan reported an actuarial surplus of $153 (2006 – actuarial deficiency of $8,699) and the Management, Opted Out, and Excluded Plan an actuarial surplus of $10,148 (2006 – $8,309). The expense for these two plans is limited to employer's annual contributions for the year.

Note 10 Comparative Figures

Certain 2006 figures have been reclassified to conform to the 2007 presentation.

Note 11 Budget

The 2006-2007 Government and Lottery Fund Estimates were approved on May 24, 2006.

Note 12 Approval of the Consolidated Financial Statements

The consolidated financial statements were approved by the Senior Financial Officer and the Deputy Minister.

Ministry – continued
Ministry of Agriculture and Food – Consolidated Schedule of Expenses – Directly Incurred Detailed by Object for the Year Ended March 31, 2007

Schedule 1
(in thousands)

	2007 Budget	2007 Actual	2006 Actual (Restated - Note 3)
Grants	$ 128,128	$ 138,290	$ 168,905
Indemnities	630,843	719,055	638,984
Salaries, wages, employment contracts and benefits	126,003	123,179	118,811
Interest	48,347	45,135	44,849
Supplies and services	65,045	60,231	61,773
Amortization of tangible capital assets	9,600	10,855	9,245
Other expenses	30,356	16,575	58,615
Valuation adjustments	2,359	2,732	(2,175)
Total	$1,040,681	$1,116,052	$1,099,007

Ministry – continued
Ministry of Agriculture and Food – Consolidated Schedule of Loans Receivable for the Year Ended March 31, 2007

Schedule 2
(in thousands)

	2007	2006
Loans receivable	$1,017,383	$ 989,409
Accrued interest	25,691	24,946
	1,043,074	1,014,355
Less allowance for doubtful accounts	(30,679)	(37,430)
Less accrued incentives	(2,030)	(2,279)
Less loan discounts	(1,065)	(1,558)
	$1,009,300	$ 973,088

The allowance for doubtful accounts of $30,679 (2006 – $37,430) includes a specific allowance for $12,180 (2006 – $9,206) on impaired loans outstanding of $25,303 (2006 – $26,126), excluding unamortized loan discount.

The approximate fair value of the loan portfolio at March 31, 2007 is $987,333 (2006 – $981,203). Fair value is based on future cash flows discounted by rates equivalent to the market rates on loans with similar terms and credit risk.

Ministry – continued
Ministry of Agriculture and Food – Consolidated Schedule of Investments for the Year Ended March 31, 2007

Schedule 3
(in thousands)

	2007	2006
Bonds and debentures		
Government of Canada, direct and guaranteed	$248,762	$141,546
Other provincial, direct and guaranteed	42,791	15,742
	291,553	157,288
Corporate securities	127,855	78,520
	419,408	235,808
Accrued interest	3,736	2,651
	$423,144	$238,459

	Term to Maturity					
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	2007 Total	2006 Total
Bonds and debentures	$148,042	$ 86,612	$46,964	$ 9,935	$291,553	$157,288
Yield	4.20%	4.10%	4.43%	5.22%	4.24%	3.69%
Securities	–	89,176	38,679	–	127,855	78,520
Yield	–	4.51%	3.73%	–	4.27%	4.46%
	148,042	175,788	85,643	9,935	419,408	235,808
Accrued interest	589	1,740	1,294	113	3,736	2,651
	$148,631	$177,528	$86,937	$10,048	$423,144	$238,459

The fair value of investments at March 31, 2007 is $424,519 (2006 – $238,183). Fair value is based on quoted market prices including accrued interest.

Ministry – continued
Ministry of Agriculture and Food – Consolidated Schedule of Tangible Capital Assests for the Year Ended March 31, 2007

Schedule 4
(in thousands)

	Land	Land Improvements	Buildings	Equipment and Vehicles	Computer Hardware and Software	Rail Hopper Cars	2007 Totals	2006 Totals
Estimated Useful Life	**Indefinite**	**25 years**	**25 - 40 years**	**5 - 10 years**	**2 - 10 years**	**35 years**		
Historical cost								
Beginning of year	$469	$452	$11,080	$33,738	$45,727	$50,425	$141,891	$128,568
Additions	–	–	–	5,663	9,857	–	15,520	14,994
Disposals	–	–	–	(602)	(174)	(437)	(1,213)	(1,671)
	$469	$452	$11,080	$38,799	$55,410	$49,988	$156,198	$141,891
Accumulated amortization								
Beginning of year	$ –	$ 18	$ 2,048	$17,022	$22,729	$36,153	$ 77,970	$ 69,907
Amortization expense	–	18	380	2,806	6,219	1,432	10,855	9,245
Effect of disposals	–	–	–	(549)	–	(311)	(860)	(1,182)
	$ –	$ 36	$ 2,428	$19,279	$28,948	$37,274	$ 87,965	$ 77,970
Net book value at March 31, 2007	$469	$416	$ 8,652	$19,520	$26,462	$12,714	$ 68,233	
Net book value at March 31, 2006	$469	$434	$ 9,032	$16,716	$22,998	$14,272		$ 63,921

Historical cost includes work-in-progress at March 31, 2007 totaling $3,234 comprised of: equipment $1,190 (2006 – $408) and computer hardware and software $2,044 (2006 – $8,107).

This has not been amortized during the period.

Ministry – continued

Ministry of Agriculture and Food – Consolidated Schedule of Notes and Interest Payable for the Year Ended March 31, 2007

Schedule 5

(in thousands)

Notes and interest payable to the Province of Alberta by the Ministry are comprised of the following:

Remaining Term to Maturity	Effective Interest Rate	2007	Effective Interest Rate	2006
Within 1 year	4.10% - 4.18%	$ 98,610	2.57% - 5.54%	$ 92,843
1 to 5 years	3.75% - 7.64%	385,916	3.75% - 5.93%	263,492
6 to 10 years	4.21% - 6.52%	296,180	4.26% - 7.64%	192,358
Over 10 years	4.43% - 5.12%	139,073	4.43% - 6.52%	335,395
Accrued interest		11,592		12,971
		$931,371		$897,059

Net unamortized discounts of $3,953 (2006 – $3,347) are included in the balances disclosed.

The approximate fair value at March 31, 2007 is $953,325 (2006 – $922,702). Fair value is an approximation of market value to the holder.

Scheduled principal repayments in each of the next five years are as follows:

Year ending March 31,	2008	$162,629
	2009	159,688
	2010	56,088
	2011	160,738
	2012	91,900
		$631,043

Ministry – continued

Ministry of Agriculture and Food – Consolidated Schedule of Related Party Transactions for the Year Ended March 31, 2007

Schedule 6

(in thousands)

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the Ministry.

The Ministry and its employees paid certain taxes and fees set by regulation for permits, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Ministry had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	2007	2006 (Restated - Note 3
Revenues		
Grants	$22,220	$22,220
Other	313	1,224
	$22,533	$23,444
Expenses – directly incurred		
Grants	$ 158	$ 406
Accommodation [1]	1,035	1,268
Other services	5,187	3,935
Interest	45,135	44,849
	$51,515	$50,458
Tangible capital assets		
Transferred from Advanced Education and Technology	$ 801	$ 7
Transferred from Environment	518	–
Transferred from Infrastructure and Transportation	212	–
Transferred to Service Alberta	(8)	–
Payable to		
Ministry of Advanced Education and Technology	588	459
Receivable from		
Ministry of Municipal Affairs and Housing	2,777	4,812
	$ 4,888	$ 5,278

The Ministry also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 7.

	2007	2006
Expenses incurred by others		
Accommodation	$13,378	$13,245
Legal	693	486
Other services	5,057	4,631
	$19,128	$18,362

Note: The Ministry receives services under contracts managed by the Ministry of Service Alberta. Any commitments under these contracts are reported by the Ministry of Service Alberta.

(1) Actual accommodation expenses for Agriculture Financial Services Corporation for 2006/07 total $1,035. Rebate of prior year rent in the amount of $1,330 credited against current year expenses.

Ministry – continued
Ministry of Agriculture and Food – Consolidated Schedule of Allocated Costs for the Year Ended March 31, 2007

Schedule 7
(in thousands)

	2007								2006
		Expenses – Incurred by Others				Valuation Adjustments [6]			
Program	Expenses [1]	Accommodation Costs [2]	Legal Services [3]	Service Alberta [4]	Corporate Internal Audit Services [5]	Vacation Pay	Doubtful Accounts	Total Expenses	Total Expenses (Restated - Note 3)
Insurance	$ 216,173	$ 254	$ –	$ –	$ –	$ –	$ 700	$ 217,127	$ 255,570
Farm income support	572,710	24	–	–	–	–	7,321	580,055	491,758
BSE recovery program	–	–	–	–	–	–	–	–	18,853
Industry development	45,708	4,413	163	–	–	614	1	50,899	86,890
Environment and food safety	62,877	4,705	368	–	–	17	–	67,967	62,870
Planning and competitiveness	12,489	1,393	57	–	–	(192)	47	13,794	13,721
Rural services	36,341	1,163	14	–	–	(407)	–	37,411	34,910
Farm fuel distribution allowance	32,446	–	–	–	–	–	–	32,446	33,295
Lending	25,438	145	–	–	–	–	(5,494)	20,089	24,554
Infrastructure assistance	50,515	–	–	–	–	–	–	50,515	29,442
Ministry support services	13,188	1,281	91	4,989	68	123	2	19,742	16,371
	$1,068,185	$13,378	$693	$4,989	$68	$155	$2,577	$1,090,045	$1,068,234

(1) Expenses – Directly incurred per the Consolidated Statement of Operations, excluding valuation adjustments and debt servicing costs.

(2) Costs shown for Accommodation (includes grants in lieu of taxes) on Schedule 6, allocated by budgeted full-time equivalent employment.

(3) Costs shown for Legal Services on Schedule 6, allocated by estimated costs incurred by each program.

(4) Costs shown for Service Alberta on Schedule 7, allocated by estimated costs incurred by each program.

(5) Costs shown for Corporate Internal Audit Services on Schedule 7, allocated by estimated costs incurred by each program.

(6) Valuation Adjustments as per Statement of Operations, Employee Benefits and Doubtful Accounts provision included in Valuation Adjustments were allocated as follows:

– Vacation Pay – allocated to the program by employee.

– Doubtful Accounts Provision – estimated allocation to program.

AUDITOR GENERAL *Alberta*

AUDITOR'S REPORT

To the Minister of Agriculture and Food

I have audited the statement of financial position of the Department of Agriculture and Food as at March 31, 2007, and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Department's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Department as at March 31, 2007, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

[Original signed by Fred J. Dunn]
FCA
Auditor General

Edmonton, Alberta
May 24, 2007

[The official version of this Report of the Auditor General, and the information the Report covers, is in printed form.]

Statement of Operations for the Year Ended March 31, 2007

(in thousands)

	2007 Budget (Schedule 4)	2007 Actual	2006 Actual (Restated - Note 3)
Revenues (Schedule 1)			
Transfers from the Government of Canada	$ 5,200	$ 14,724	$ 4,739
Internal government transfers	22,220	22,220	22,220
Other revenue	5,643	7,081	24,366
Premiums, fees and licenses	1,980	1,641	1,354
	35,043	**45,666**	52,679
Expenses – Directly Incurred (Note 2(b) and Schedule 8)			
Voted (Schedules 3 and 5)			
Ministry support services	13,687	13,188	14,632
Planning and competitiveness	13,097	12,489	11,203
Environment and food safety	78,325	62,877	57,704
Industry development	46,793	45,708	81,896
Rural services	36,216	36,641	34,910
Infrastructure assistance	29,000	50,515	29,441
Agriculture assistance –			
Canadian agricultural income stabilization	133,787	420,888	291,228
BSE recovery	–	–	18,853
Insurance and lending	203,290	185,095	178,884
Farm fuel distribution allowance	33,500	32,446	33,295
Farm income assistance	–	(236)	(368)
Other assistance	2,000	1,632	4,090
	589,695	**861,243**	755,768

continued

continued
Statement of Operations for the Year Ended March 31, 2007
(in thousands)

	2007 Budget (Schedule 4)	2007 Actual	2006 Actual (Restated - Note 3)
Statutory (Schedules 3 and 5)			
Valuation adjustments –			
Provision for vacation pay	–	155	346
Provision for doubtful accounts	–	50	357
	–	205	703
	589,695	861,448	756,471
Loss on disposal of tangible capital assets	–	(25)	(4)
Net operating results	**$(554,652)**	**$(815,807)**	$(703,796)

The accompanying notes and schedules are part of these financial statements.

Statement of Financial Position as at March 31, 2007

(in thousands)

	2007	2006 (Restated - Note 3)
Assets		
Cash	$ 210	$ 86
Accounts receivable *(Note 4)*	40,090	48,283
Loans and advances *(Note 5)*	11	9
Tangible capital assets *(Note 6)*	33,838	31,909
	$ 74,149	**$ 80,287**
Liabilities		
Accounts payable and accrued liabilities *(Note 7)*	$ 99,315	$ 88,084
Unearned revenue	4,099	3,278
	103,414	91,362
Net Liabilities		
Net liabilities at beginning of year	(11,075)	(109,799)
Net operating results	(815,807)	(703,796)
Net transfer from general revenues	797,617	802,520
Net liabilities at end of year	(29,265)	(11,075)
	$ 74,149	**$ 80,287**

The accompanying notes and schedules are part of these financial statements.

Statement of Cash Flows for the Year Ended March 31, 2007

(in thousands)

	2007	2006 (Restated - Note 3)
Operating Transactions		
Net operating results	$(815,807)	$(703,796)
Non–cash items included in net operating results –		
Amortization	4,042	3,780
Valuation adjustments	205	703
Loss on disposal of tangible capital assets	25	4
	(811,535)	(699,309)
Decrease in accounts receivable	8,143	76,638
Increase (decrease) in accounts payable and accrued liabilities	11,076	(176,545)
Increase (decrease) in unearned revenue	821	(262)
Cash applied to operating transactions	**(791,495)**	(799,478)
Capital Transactions		
Acquisition of tangible capital assets	(4,580)	(3,816)
Transferred assets	(1,523)	(7)
Disposal of tangible capital assets	107	44
Cash applied to capital transactions	**(5,996)**	(3,779)
Investing Transactions		
Loans and advances	(2)	(9)
Repayment of loans and advances	–	10
Cash (applied to) provided by investing transactions	**(2)**	1
Financing Transactions		
Net transfer from general revenues	**797,617**	802,520
Increase (decrease) in cash	124	(736)
Cash, beginning of year	86	822
Cash, end of year	**$ 210**	**$ 86**

The accompanying notes and schedules are part of these financial statements.

Notes to the Financial Statements for the Year Ended March 31, 2007

Note 1 Authority and Purpose

The Department of Agriculture and Food operates under the authority of the *Government Organization Act*, Chapter G-10, Revised Statutes of Alberta 2000. The purpose of the Department is to enable the growth of a globally competitive, sustainable agriculture and food industry through essential policy, legislation, information and services in partnership with vibrant rural communities.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

(a) Reporting Entity

The reporting entity is the Department of Agriculture and Food, which is part of the Ministry of Agriculture and Food for which the Minister of Agriculture and Food is accountable. The other entity reporting to the Minister is Agriculture Financial Services Corporation. The activities of this organization are not included in these financial statements. The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Minister of Finance. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net transfer from General Revenues is the difference between all cash receipts and all cash disbursements made.

(b) Basis of Financial Reporting

Revenues – All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

Internal Government Transfers – Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return.

Transfers from Government of Canada – Transfers from Government of Canada are recognized as revenues when authorized by federal legislation or federal/provincial agreements, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

Dedicated Revenue – Dedicated revenue initiatives provide a basis for authorized spending. Dedicated revenues are shown as credits or recoveries in the details of the Government Estimates for a supply vote. If budgeted revenues are not fully realized, spending is reduced by an equivalent amount. If actual dedicated revenues exceed budget, the Department may, with the approval of the Treasury Board, use the excess revenue to fund additional expenses on the program. Schedule 2 discloses information on the Department's dedicated revenue initiatives.

Expenses

Directly Incurred – Directly incurred expenses are those costs the Department has primary responsibility and accountability for, as reflected in the Government's budget documents.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets.
- pension costs which comprise the cost of employer contributions for current service of employees during the year.
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees, and indemnities.

Grants are recognized as expenses when authorized, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

Incurred by Others – Services contributed by other entities in support of the Department operations are disclosed in Schedule 8.

Assets – Financial assets of the Department are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Assets acquired by right are not included. Tangible capital assets of the Department are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $100,000 and the threshold for all other tangible capital assets is $5,000. All land is capitalized.

Liabilities – Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Net Liabilities – Net liabilities represent the difference between the carrying value of assets held by the Department and its liabilities.

Measurement Uncertainty *(in thousands)* – Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount.

These financial statements include the Department's contribution of $420,888 to Agriculture Financial Services Corporation for the Department's share of program payments under the Canadian Agricultural Income Stabilization (CAIS) program that is subject to measurement uncertainty. The Department's contribution for the CAIS program could change substantially in the future, if factors considered by management in establishing the estimates were to change significantly.

Included in the Department's contribution toward the cost of the CAIS program are estimated contributions for the 2006 claim year of $128,151 for the vast majority of claims that have not yet been received because the deadline for submission of complete information is after the end of the fiscal year. CAIS program payments are triggered when the participant's claim-year program margin falls below their support level.

The two factors impacting estimated indemnities payable for the 2006 claim year are the number of participants and estimated program margins. The estimated number of participants for the 2006 claim year is based on the number of farm operations participating in the program during the 2005 claim year. The estimated program margins are based on forecasted changes in eligible income and expenses and inventories between 2005 and 2006. Based on historical experience of variability between forecasts and actual results of key assumptions, the estimated indemnities for the 2006 claim would range from $108,388 to $150,945.

The Department's contribution includes estimated contributions of $54,194 for claims received but not processed for the 2004 and 2005 claim years. The estimates for the 2004 and 2005 claim years are based on the number of claims received but not yet processed and the estimated average payment per claim.

The Department's contribution also includes estimated contributions of $125,111 for related programs. The related programs were approved by the Government of Alberta for the 2003, 2004, 2005 and 2006 claim years. The estimate is based on the historical payment ratio for claims processed.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash, accounts receivable, advances and accounts payable and accrued liabilities are estimated to approximate their carrying values because of the short term nature of these instruments. Fair values of loans are not reported due to there being no organized financial market for the instruments and it is not practicable within constraints of timeliness or cost to estimate the fair value with sufficient reliability.

Note 3 Government Reorganization

(in thousands)

As a result of restructuring of government ministries announced on December 13, 2006, responsibility for Rural Development was transferred to the Department of Employment, Immigration and Industry. Comparatives for 2006 have been restated to reflect the current responsibilities. Net liabilities on March 31, 2005 is made up as follows:

Net Liabilities as previously reported	($109,937)
Transfer to the Department of Employment, Immigration and Industry	138
Net Liabilities at March 31, 2005	($109,799)

The costs of certain administrative functions are now the responsibility of the Department of Service Alberta. The Department of Service Alberta continues to provide the Department with the services related to these administrative functions, but no consideration is exchanged. Administrative costs for 2006 have been restated as if the Department had never been assigned responsibility.

Note 4 Accounts Receivable

	2007			2006
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
	(in thousands)			
Accounts receivable	$40,928	$952	$39,976	$48,113
Refunds from suppliers	114	–	114	170
	$41,042	$952	$40,090	$48,283

Accounts receivable are unsecured and non-interest bearing.

Note 5 Loans and Advances

	2007			2006 (Restated - Note 3)
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
		(in thousands)		
Travel advances	$ 4	$ –	$ 4	$ 5
Loans receivable	9	2	7	4
	$13	$ 2	$11	$ 9

Note 6 Tangible Capital Assets

	Land	Buildings	Equipment and Vehicles	Computer Hardware and Software	Rail Hopper Cars	2007 Totals	2006 Totals
Estimated Useful Life	**Indefinite**	**40 years**	**10 years**	**3 - 5 years**	**35 years**		
			(in thousands)				
Historical cost							
Beginning of year	$122	$1,739	$28,012	$3,321	$50,425	$83,619	$80,343
Additions	–	–	5,448	655	–	6,103	3,823
Disposals	–	–	(464)	–	(437)	(901)	(547)
	$122	$1,739	$32,996	$3,976	$49,988	$88,821	$83,619
Accumulated amortization							
Beginning of year	$ –	$ 175	$13,840	$1,542	$36,153	$51,710	$48,429
Amortization expense	–	43	2,204	363	1,432	4,042	3,780
Effect of disposals	–	–	(458)	–	(311)	(769)	(499)
	$ –	$ 218	$15,586	$1,905	$37,274	$54,983	$51,710
Net book value at March 31, 2007	$122	$1,521	$17,410	$2,071	$12,714	$33,838	
Net book value at March 31, 2006	$122	$1,564	$14,172	$1,779	$14,272		$31,909

Historical cost includes work-in-progress at March 31, 2007 totaling $1,987 comprised of: equipment $1,190 (2006 - $408) and computer hardware and software $797 (2006 - $981). This has not been amortized during the period.

Note 7 Accounts Payable and Accrued Liabilities

	2007	2006 (Restated - Note 3)
	(in thousands)	
Accounts payable – general	$ 3,883	$ 2,472
Manpower	12,090	11,902
Grants	77,846	66,423
Allowance for loan guarantees	1,204	2,604
Supplies and services and capital purchases	4,292	4,683
	$99,315	$88,084

Note 8 Contractual Obligations

	2007	2006
	(in thousands)	
Grants	$16,505	$4,447
Service contracts	5,689	3,719
	$22,194	$8,166

Note 8 Contractual Obligations (continued)

The aggregate amounts payable for the unexpired terms of these contractual obligations are as follows:

	Grants	Service Contracts	Total
		(in thousands)	
2008	$15,101	$4,140	$19,241
2009	1,152	1,221	2,373
2010	124	175	299
2011	128	147	275
2012	–	6	6
	$16,505	$5,689	$22,194

Note 9 Contingent Liabilities

(in thousands)

At March 31, 2007, the Department is a defendant in five legal claims (2006 – five legal claims). These claims have specified amounts totaling $2,082 (2006 – $5,185). Included in the total legal claims is one claim amounting to $1,332 (2006 – one claim amounting to $1,332) in which the Department has been jointly named with other entities. Three claims amounting to $1,632 (2006 – two claims amounting to $4,533) are covered by the Alberta Risk Management Fund.

The resulting loss, if any, from these claims cannot be determined.

Note 10 Guarantees

	2007	2006	Expiry Date
	(in thousands)		
Feeder Associations	$44,424	$49,675	Ongoing
Rural Utilities Act	62	183	Ongoing
Agricultural Societies Act	11	12	2015
	44,497	49,870	
Allowance for loan guarantees	(1,204)	(2,604)	
	$43,293	$47,266	

Guarantee programs and their limits are established under the following Acts:

- *Feeder Associations Guarantee Act* (authorized guarantee limit set by Order in Council is $55 million)
- *Rural Utilities Act* (authorized guarantee limit set by statute is $50 million)
- *Agricultural Societies Act* (authorized guarantee limit set by statute is $50 million)

The lender takes appropriate security prior to issuing a loan to the borrower, which is guaranteed by the Province. The security taken depends on the nature of the loan. Interest rates are negotiated with the lender by the borrower.

The expiry date shown for guarantees under the *Agricultural Societies Act* is the latest expiry date for guaranteed loans under the program.

Note 11 Trust Funds Under Administration

The Department administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the Department's financial statements.

Note 11 Trust Funds Under Administration (continued)

As at March 31, 2007 trust funds under administration were as follows:

	2007	2006
	(in thousands)	
4-H General Trust	$ 3	$ 51
Wheat Board Monies Trust Fund	138	96
Claude Gallinger Memorial Trust Fund	23	23
	$164	$170

Note 12 Payments Under Agreement

(in thousands)

The Department has entered into an agreement to deliver the Canadian Food Safety and Quality Program that is fully funded by the Government of Canada.

Costs incurred under this agreement are made by the Department under authority of the *Financial Administration Act, Section 25*. Accounts receivable includes $998 (2006 - $74) and accounts payable includes $48 (2006 - $41) relating to payments under agreement.

Amounts paid and payable under agreement with program sponsors are as follows:

	2007	2006
2005 Agriculture ministers' conference	$ –	$ 70
Canadian food safety and quality program	1,432	84
Alberta mature animal transition program	–	4
Federal cull animal program	–	7
	$1,432	$165

Note 13 Defined Benefit Plans

(in thousands)

The Department participates in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Department also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $6,208 for the year ended March 31, 2007 (2006 – $5,817).

At December 31, 2006, the Management Employees Pension Plan reported a deficiency of $6,765 (2005 – $165,895) and the Public Service Pension Plan reported a surplus of $153,024 (2005 – deficiency of $187,704). At December 31, 2006, the Supplementary Retirement Plan for Public Service Managers had a surplus of $3,698 (2005 – $10,018).

The Department also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2007, the Bargaining Unit Plan reported an actuarial surplus of $153 (2006 – actuarial deficiency of $8,699) and the Management, Opted Out and Excluded Plan an actuarial surplus of $10,148 (2006 – $8,309). The expense for these two plans is limited to the employer's annual contributions for the year.

Note 14 Comparative Figures

Certain 2006 figures have been reclassified to conform to the 2007 presentation.

Note 15 Approval of the Financial Statements

The financial statements were approved by the Senior Financial Officer and the Deputy Minister.

Department – continued
Department of Agriculture and Food – Schedule to Financial Statements
Revenues for the Year Ended March 31, 2007

Schedule 1
(in thousands)

	2007 Budget	2007 Actual	2006 Actual (Restated - Note 3)
Transfers from the Government of Canada			
Canada/Alberta BSE assistance	$ –	$ –	$10,004
Canadian farm income program	–	–	(19,188)
Irrigation infrastructure	–	–	1,967
BSE surveillance	4,000	5,065	5,061
Other	1,200	9,659	6,895
	5,200	14,724	4,739
Internal government transfers			
Transfers from the lottery fund	22,220	22,220	22,220
Other revenue			
Project contributions	3,838	3,255	3,541
Rail hopper car revenue	650	949	1,179
Green certificate and home study	880	517	368
Publications	225	216	233
Refunds of expenditures			
Previous years'	–	1,385	18,494
Other	–	(16)	(500)
Surplus sales	–	82	25
Miscellaneous	50	693	1,026
	5,643	7,081	24,366
Premiums, fees and licenses			
Livestock water program	140	316	187
Food processing centre fees	600	775	686
Business incubator fees	350	4	–
Meat services	250	189	214
Livestock production and meat quality	400	159	127
Dairy laboratory and analytical services	–	8	11
Other	240	190	129
	1,980	1,641	1,354
	$35,043	$45,666	$52,679

Department – continued
Department of Agriculture and Food – Schedule to Financial Statements
Dedicated Revenue Initiatives for the Year Ended March 31, 2007

Schedule 2
(in thousands)

	Authorized Dedicated Revenues	Actual Dedicated Revenues	(Shortfall)/ Excess
Ministry support services	$ 225	$ 216	$ (9)
Planning and competitiveness	673	871	198
Rural services	1,540	1,278	(262)
Industry development	7,948	6,557	(1,391)
Environment and food safety	6,901	6,803	(98)
	$17,287	$15,725	$(1,562) (1)

Ministry Support Services dedicated revenue initiatives include fees for sale of publications.

Planning and Competitiveness dedicated revenue initiatives include fees for Policy Secretariat ($30), Economics and Competitiveness ($35) and Strategy and Business Planning ($806).

Rural Services dedicated revenue initiatives include fees for Rural Utilities ($65), Rural Community and Leadership Development ($821) and Agriculture Industry Development and Diversification ($392).

Industry Development dedicated revenue initiatives include: Food Processing Development Centre ($1,332), Ag Research ($2,213), Bio–Industrial Technologies ($631), Business Expansion and Commercialization ($2,369), Growth Strategy Secretariat ($3) and Program Information Services ($9).

Enviroment and Food Safety dedicated revenue initiatives include: Food Safety Initiatives ($4,564), Resource Management and Irrigation ($1,491), Regulatory Services ($349) and various Technical Services Programs ($399).

The revenue and expense of each initiative's dedicated revenue and expense are reported in the Statement of Operations.

(1) Shortfall is deducted from the current year's authorized budget, as disclosed in Schedules 4 and 5 of the financial statements.

Department – continued
Department of Agriculture and Food – Schedule to Financial Statements
Expenses – Directly Incurred Detailed by Object for the Year Ended March 31, 2007

Schedule 3
(in thousands)

	2007 Budget	2007 Actual	2006 Actual (Restated - Note 3)
Voted			
Salaries, wages and employee benefits	$ 85,629	$ 82,580	$ 80,508
Supplies and services	39,487	35,072	37,686
Grants	460,213	739,485	633,738
Financial transactions and other	66	64	56
Amortization of tangible capital assets	4,300	4,042	3,780
Total voted expenses	$589,695	$861,243	$755,768
Statutory			
Valuation adjustments			
Provision for vacation pay	$ –	$ 155	$ 346
Provision for doubtful accounts	–	50	357
	$ –	$ 205	$ 703

Department – continued
Department of Agriculture and Food – Schedule to Financial Statements
Authorized Budget for the Year Ended March 31, 2007

Schedule 4
(in thousands)

	2006-2007 Estimates (a)	Adjustment (b)	2006-2007 Budget	Authorized Supplementary (c)	2006-2007 Authorized Budget
Revenues					
Transfers from the Government of Canada	$ 5,200	$ –	$ 5,200	$ 3,719	$ 8,919
Internal government transfers	22,220	–	22,220	–	22,220
Other revenue	5,643	–	5,643	5,395	11,038
Fees, permits and licenses	1,980	–	1,980	–	1,980
	35,043	–	35,043	9,114	44,157
Expenses – directly incurred					
Voted expenses					
Planning and competitiveness	48,597	–	48,597	637	49,234
Agriculture insurance and lending assistance	337,077	–	337,077	311,000	648,077
Environment and food safety	102,325	(1,018)	101,307	5,263	106,570
Industry development	51,793	(612)	51,181	6,809	57,990
Rural services	36,216	(125)	36,091	160	36,251
Ministry support services	13,687	(193)	13,494	–	13,494
Dedicated revenue shortfall (Schedule 2)	–	(1,562)	(1,562)	–	(1,562)
	589,695	(3,510)	586,185	323,869	910,054
Net operating results	$(554,652)	$ 3,510	$(551,142)	$(314,755)	$(865,897)
Equipment/inventory purchases	$ 1,266	$ 1,948	$ 3,214	$ 1,045	$ 4,259

(a) Restated from Government Estimates due to the restructuring of government and internal reorganization.

(b) Adjustments include dedicated revenue shortfalls.

(c) Supplementary Estimates were approved on September 8, 2006 and March 23, 2007.
Treasury Board approval is pursuant to Section 24 (2) of the Financial Administration Act (for net budgeted initiatives), which were approved on August 8, 2006 and February 6, 2007.

Department – continued
Department of Agriculture and Food – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2007

Schedule 5
(in thousands)

Voted Expenses and Capital Investments		2006-2007 Estimates (a)	Adjustments (b)	2006-2007 Budget	Authorized Supplementary (c)	2006-2007 Authorized Budget	2006-2007 Actual Expenses (d)	Unexpended (Over Expended)
1.0	Ministry support services							
1.0.1	Minister's office	$ 474	$ –	$ 474	$ –	$ 474	$ 443	$ 31
1.0.2	Deputy minister's office	504	–	504	–	504	560	(56)
1.0.3	Farmers' advocate	822	–	822	–	822	889	(67)
1.0.4	Corporate services							
	– Expense	7,805	(193)	7,612	–	7,612	7,194	418
	– Capital investment	70	193	263	–	263	221	42
1.0.5	Agriculture information division	2,160	–	2,160	–	2,160	2,281	(121)
1.0.6	Communications	334	–	334	–	334	332	2
1.0.7	Human resources							
	– Expense	1,588	–	1,588	–	1,588	1,489	99
	– Capital investment	–	–	–	–	–	9	(9)
	Total program	13,757	–	13,757	–	13,757	13,418	339
2.0	Planning and competitiveness							
2.0.1	Program support	1,767	–	1,767	–	1,767	1,797	(30)
2.0.2	Policy secretariat	3,859	–	3,859	–	3,859	3,640	219
2.0.3	Alberta grain commission	487	–	487	–	487	471	16
2.0.4	Economics and competitiveness	4,454	–	4,454	–	4,454	4,426	28
2.0.5	Strategic direction and program policy							
	– Expense	2,530	–	2,530	–	2,530	2,155	375
	– Capital investment	–	–	–	–	–	45	(45)
2.0.6	Farm fuel distribution allowance	33,500	–	33,500	–	33,500	32,446	1,054
2.0.7	Farm water program	2,000	–	2,000	637	2,637	1,632	1,005
2.0.8	Farm income assistance program	–	–	–	–	–	–	–
	Total program	48,597	–	48,597	637	49,234	46,612	2,622

Department – continued

Department of Agriculture and Food – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2007

Schedule 5 continued

Voted Expenses and Capital Investments		2006-2007 Estimates (a)	Adjustments (b)	2006-2007 Budget	Authorized Supplementary (c)	2006-2007 Authorized Budget	2006-2007 Actual Expenses (d)	Unexpended (Over Expended)
3.0	Rural services							
3.0.1	Program support	350	–	350	–	350	338	12
3.0.2	Rural utilities							
	– Expense	6,131	(125)	6,006	–	6,006	6,319	(313)
	– Capital investment	–	125	125	–	125	122	3
3.0.3	Rural community and leadership development							
	– Expense	7,515	–	7,515	160	7,675	7,883	(208)
	– Capital investment	–	–	–	–	–	1	(1)
3.0.4	Agricultural service boards							
	– Expense funded by lotteries	10,600	–	10,600	–	10,600	10,585	15
3.0.5	Agriculture societies							
	– Expense funded by lotteries	8,670	–	8,670	–	8,670	8,670	–
3.0.6	Agriculture initiatives							
	– Expense funded by lotteries	2,950	–	2,950	–	2,950	2,846	104
	Total program	36,216	–	36,216	160	36,376	36,764	(388)

Department – continued

Department of Agriculture and Food – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2007

Schedule 5 continued

Voted Expenses and Capital Investments		2006-2007 Estimates (a)	Adjustments (b)	2006-2007 Budget	Authorized Supplementary (c)	2006-2007 Authorized Budget	2006-2007 Actual Expenses (d)	Unexpended (Over Expended)
4.0	Industry development							
4.0.1	Program support	1,571	–	1,571	–	1,571	1,466	105
4.0.2	Marketing council	814	–	814	–	814	911	(97)
4.0.3	Agriculture research							
	– Expense	15,209	–	15,209	–	15,209	14,639	570
	– Capital investment	350	–	350	–	350	543	(193)
4.0.4	Food processing development							
	– Expense	4,928	(612)	4,316	–	4,316	4,562	(246)
	– Capital investment	266	612	878	437	1,315	1,468	(153)
4.0.5	Bio–industrial technologies							
	– Expense	2,610	–	2,610	680	3,290	3,765	(475)
	– Capital investment	–	–	–	–	–	68	(68)
4.0.6	Business expansion and commercialization							
	– Expense	5,817	–	5,817	1,329	7,146	6,345	801
	– Capital investment	–	–	–	–	–	1	(1)
4.0.7	Agriculture industry development and diversification							
	– Expense	9,167	–	9,167	–	9,167	10,084	(917)
	– Capital investment	–	–	–	–	–	4	(4)
4.0.8	Growth strategy secretariat							
	– Expense	6,677	–	6,677	–	6,677	3,853	2,824
	– Capital investment	–	–	–	–	–	1	(1)
4.0.9	Market recovery and value added research and development	–	–	–	–	–	83	(83)
4.0.10	Infrastructure assistance for municipal wastewater	5,000	–	5,000	4,800	9,800	8,273	1,527
4.0.11	Industrial and envrionmental infrastructure	–	–	–	–	–	–	–
	Total program	52,409	–	52,409	7,246	59,655	56,066	3,589

Department – continued
Department of Agriculture and Food – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2007

Schedule 5 continued

Voted Expenses and Capital Investments	2006-2007 Estimates (a)	Adjustments (b)	2006-2007 Budget	Authorized Supplementary (c)	2006-2007 Authorized Budget	2006-2007 Actual Expenses (d)	Unexpended (Over Expended)
5.0 Environment and food safety							
5.0.1 Program support	1,877	–	1,877	–	1,877	1,578	299
5.0.2 Food chain traceability	–	–	–	–	–	336	(336)
5.0.3 Resource management and irrigation							
– Expense	13,606	(610)	12,996	575	13,571	13,308	263
– Capital investment	200	610	810	608	1,418	1,339	79
5.0.4 Food safety							
– Expense	33,414	(351)	33,063	4,470	37,533	19,054	18,479
– Capital investment	380	351	731	–	731	737	(6)
5.0.5 Surveillance support	15,200	–	15,200	–	15,200	13,351	1,849
5.0.6 Regulatory services							
– Expense	7,036	–	7,036	–	7,036	7,705	(669)
– Capital investment	–	–	–	–	–	2	(2)
5.0.7 Technical services							
– Expense	6,880	(57)	6,823	218	7,041	7,196	(155)
– Capital investment	–	57	57	–	57	57	–
5.0.8 Irrigation secretariat	312	–	312	–	312	349	(37)
5.0.9 Irrigation infrastructure assistance	24,000	–	24,000	–	24,000	42,242	(18,242)
Total program	102,905	–	102,905	5,871	108,776	107,254	1,522

Department – continued
Department of Agriculture and Food – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2007

Schedule 5 continued

Voted Expenses and Capital Investments	2006-2007 Estimates (a)	Adjustments (b)	2006-2007 Budget	Authorized Supplementary (c)	2006-2007 Authorized Budget	2006-2007 Actual Expenses (d)	Unexpended (Over Expended)
6.0 Agriculture insurance and lending assistance							
6.0.1 Lending assistance	2,762	–	2,762	–	2,762	2,761	1
6.0.2 Farm income disaster	–	–	–	–	–	(236)	236
6.0.3 Crop insurance	198,155	–	198,155	–	198,155	178,764	19,391
6.0.4 Wildlife damage	2,373	–	2,373	–	2,373	3,570	(1,197)
6.0.5 Canadian agricultural income stabilization	133,787	–	133,787	311,000	444,787	420,888	23,899
Total program	337,077	–	337,077	311,000	648,077	605,747	42,330
Dedicated revenue shortfall (Schedule 2)	–	(1,562)	(1,562)	–	(1,562)	–	(1,562)
	$590,961	$(1,562)	$589,399	$324,914	$914,313	$865,861	$ 48,452
Expense	$567,475	$(3,510)	$563,965	$323,869	$887,834	$839,142	$ 48,692
Expense funded by lotteries	22,220	–	22,220	–	22,220	22,101	119
	589,695	(3,510)	586,185	323,869	910,054	861,243	48,811
Capital investment	1,266	1,948	3,214	1,045	4,259	4,618	(359)
	$590,961	$(1,562)	$589,399	$324,914	$914,313	$865,861	$ 48,452
Statutory Expenses							
Valuation adjustments	$ –	$ –	$ –	$ –	$ –	$ 205	$ (205)

(a) Restated from Government Estimates due to the restructuring of government and internal reorganization.

(b) Adjustments include dedicated revenue shortfalls.

(c) Supplementary Estimates were approved on September 8, 2006 and March 23, 2007. Treasury Board approval is pursuant to Section 24 (2) of the Financial Administration Act.

(d) Includes achievement bonus amounting to $1,999.

Department – continued

Department of Agriculture and Food – Schedule of Salary and Benefits Disclosure for the Year Ended March 31, 2007

Schedule 6

	2007				2006
	Base Salary [1]	Other Cash Benefits [2]	Other Non-Cash Benefits [3]	Total	Total
Department					
Deputy Minister [4] [5]	$206,818	$77,440	$45,326	$329,584	$262,292
Assistant Deputy Ministers					
Planning and Competitiveness	146,598	24,679	35,087	206,364	252,680
Industry Development	157,044	28,112	37,002	222,158	207,377
Environment and Food Safety	157,044	28,268	36,757	222,069	205,884
Organizational Effectiveness and Rural Services [6]	157,044	31,409	37,546	225,999	123,642
Executive Directors					
Agriculture Corporate Services [7]	–	–	–	–	89,861
Information Division	128,568	27,744	31,005	187,317	172,486
Rural Development Initiatives [8]	–	–	–	–	153,933
Human Resources	122,589	20,295	30,703	173,587	156,985
Senior Financial Officer [9]	64,284	13,174	16,347	93,805	–
Boards and Agencies					
Farmers' Advocate	128,568	20,552	6,070	155,190	142,659
General Manager, Agricultural Products Marketing Council [5]	127,882	8,743	31,412	168,037	152,257

Prepared in accordance with Treasury Board Directive 12/98 as amended.

Total salary and benefits relating to a position are disclosed.

(1) Base salary includes regular base pay.

(2) Other cash benefits include bonuses, vacation payouts, overtime and lump sum payments.

(3) Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension and supplementary retirement plans, health care, dental coverage, group life insurance, disability plans, short and long term professional memberships and tuition fees.

(4) Automobile provided, no dollar amount included in other non-cash benefits.

(5) The position was occupied by two individuals during the year.

(6) Due to restructuring of government, position title changed January 25, 2007; previously reported as the Assistant Deputy Minister of Rural Development.

(7) Position responsibilities were encompassed within the Assistant Deputy Minister of Rural Development effective September 12, 2005.

(8) Position was a member of Executive Team until January 31, 2006.

(9) Position became a member of Executive Team on October 1, 2006.

Department – continued

Department of Agriculture and Food – Schedule of Related Party Transactions
for the Year Ended March 31, 2007

Schedule 7

(in thousands)

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the Department.

The Department and its employees paid certain taxes and fees set by regulation for permits, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Department had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities	
	2007	2006	2007	2006 (Restated - Note 3)
Revenues				
Grants	$ 240	$ –	$22,220	$22,220
Fees and charges	–	–	–	–
Other	–	–	313	1,224
	$ 240	$ –	$22,533	$23,444
Expenses – directly incurred				
Grants	$605,746	$469,683	$ 158	$ 406
Other services	–	159	4,536	3,617
	$605,746	$469,842	$ 4,694	$ 4,023
Tangible capital assets				
Transferred from Advanced Education and Technology	$ –	$ –	$ 801	$ 7
Transferred from Environment	–	–	518	–
Transferred from Infrastructure and Transportation	–	–	212	–
Transferred to Service Alberta	–	–	(8)	–
Payable to				
Agriculture Financial Services Corporation	48,188	7,994	–	–
Ministry of Advanced Education and Technology	–	–	588	459
Receivable from				
Ministry of Municipal Affairs and Housing	–	–	2,777	4,812
	$ 48,188	$ 7,994	$ 4,888	$ 5,278

The Department also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 8.

	Entities in the Ministry		Other Entities	
	2007	2006	2007	2006
Expenses – incurred by others				
Accommodation	$ –	$ –	$12,955	$13,245
Legal	–	–	693	486
Other	–	–	5,057	4,631
	$ –	$ –	$18,705	$18,362

Note: The Department receives services under contracts managed by the Ministry of Service Alberta. Any commitments under these contracts are reported by the Ministry of Service Alberta.

Department – continued
Department of Agriculture and Food – Schedule to Financial Statements
Allocated Costs for the Year Ended March 31, 2007

Schedule 8
(in thousands)

	2007								2006
		Expenses – Incurred by Others				Valuation Adjustments [6]			
Program	Expenses [1]	Accommodation Costs [2]	Legal Services [3]	Service Alberta [4]	Corporate Internal Audit Services [5]	Vacation Pay	Doubtful Accounts	Total Expenses	Total Expenses (Restated - Note 3)
Industry development	$ 45,708	$ 4,413	$163	$ –	$ –	$ 614	$ 1	$ 50,899	$ 86,890
Environment and food safety	62,877	4,705	368	–	–	17	–	67,967	62,870
Planning and competitiveness	12,489	1,393	57	–	–	(192)	47	13,794	13,721
Infrastructure assistance	50,515	–	–	–	–	–	–	50,515	29,441
Ministry support services	13,188	1,281	91	4,989	68	123	2	19,742	16,371
Rural services	36,641	1,163	14	–	–	(407)	–	37,411	34,910
Agriculture assistance									
Canadian agricultural income stabilization	420,888	–	–	–	–	–	–	420,888	291,228
BSE recovery	–	–	–	–	–	–	–	–	18,853
Insurance and lending	185,095	–	–	–	–	–	–	185,095	178,884
Farm fuel distribution allowance	32,446	–	–	–	–	–	–	32,446	33,295
Farm income assistance	(236)	–	–	–	–	–	–	(236)	(368)
Other assistance	1,632	–	–	–	–	–	–	1,632	4,090
	$861,243	$12,955	$693	$4,989	$68	$ 155	$50	$880,153	$770,185

(1) Expenses – Directly incurred as per the Statement of Operations, excluding valuation adjustments.

(2) Costs shown for Accommodation on Schedule 7, allocated by budgeted full-time equivalent employment.

(3) Costs shown for Legal Services on Schedule 7, allocated by estimated costs incurred by each program.

(4) Costs shown for Service Alberta on Schedule 7, allocated by estimated costs incurred by each program.

(5) Costs shown for Corporate Internal Audit Services on Schedule 7, allocated by estimated costs incurred by each program.

(6) Valuation Adjustments as per Statement of Operations. Employee Benefits and Doubtful Accounts provision included in Valuation Adjustments were allocated as follows:

– Vacation Pay – allocated to the program by employee.

– Doubtful Accounts Provision – estimated allocation to program.

AUDITOR GENERAL *Alberta*

AUDITOR'S REPORT

To the Board of Directors of the
Agriculture Financial Services Corporation

I have audited the balance sheet of the Agriculture Financial Services Corporation as at March 31, 2007, and the statements of revenue, expense and surplus, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2007, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

[Original signed by Fred J. Dunn]
FCA
Auditor General

Edmonton, Alberta
May 24, 2007

[The official version of this Report of the Auditor General, and the information the Report covers, is in printed form.]

Balance Sheet as at March 31, 2007

(in thousands)

	2007	2006
Assets		
Cash	$ 316,020	$ 163,415
Accounts receivable *(Note 4)*	121,222	137,103
Due from Province of Alberta	48,069	8,028
Due from Government of Canada	303,247	330,914
Loans receivable *(Note 5)*	1,009,293	973,084
Investments *(Note 6)*	423,144	238,459
Property and equipment *(Note 7)*	34,395	32,012
	$2,255,390	**$1,883,015**
Liabilities and Surplus		
Accounts payable and accrued liabilities	$ 13,843	$ 25,371
Estimated indemnities payable *(Note 8)*	591,091	456,883
Due to Crop Reinsurance Fund of Canada for Alberta	1,847	16,630
Allowance for losses on loan guarantees *(Note 14)*	856	824
Notes payable *(Note 9)*	931,371	897,059
Deferred revenue *(Note 10)*	26,144	23,867
	1,565,152	1,420,634
Surplus	690,238	462,381
	$2,255,390	**$1,883,015**

Contingencies and commitments *(Note 14)*

The accompanying notes and schedules are part of these financial statements.

Original signed by:
Barry Holmes, Chair of Audit Committee
Harry Haney, Chair of the Board

Statement of Revenue, Expense and Surplus for the Year Ended March 31, 2007

(in thousands)

	2007 Budget (Note 3(a))	2007 Actual (Schedule 1)	2006 Actual
Revenue			
Premiums from insured persons	$123,646	$ 132,412	$141,524
Interest	74,786	68,257	68,636
Contribution from Province of Alberta	337,077	604,905	468,033
Contribution from Government of Canada	298,154	233,148	290,918
Investment income	10,568	28,589	14,228
Fees and other income	4,522	21,192	4,785
	848,753	**1,088,503**	988,124
Expense			
Indemnities	630,843	719,055	638,984
Administration *(Schedule 2)*	60,741	63,208	58,101
Interest	48,347	45,190	45,027
Reinsurance	30,290	16,511	58,559
Adjusting	7,841	7,528	7,646
Farm loan incentives	4,992	4,552	4,883
Provision (recovery) for doubtful accounts and for losses *(Note 13)*	2,359	2,527	(2,877)
Selling commissions	2,650	2,075	2,233
	788,063	**860,646**	812,556
Surplus for the year	**$ 60,690**	**227,857**	175,568
Surplus at beginning of year		462,381	286,813
Surplus at end of year		**$690,238**	**$462,381**

The accompanying notes and schedules are part of these financial statements.

Statement of Cash Flows for the Year Ended March 31, 2007

(in thousands)

	2007	2006
Operating Activities		
Surplus for the year	$ 227,857	$ 175,568
Changes not affecting cash	5,377	(1,755)
Changes in assets and liabilities relating to operations	110,652	(8,427)
Net cash provided by operating activities [1]	**343,886**	165,386
Investing Activities		
Proceeds from repayments of loans receivable and sale of properties	176,347	190,132
Loan disbursements	(218,971)	(184,190)
Purchase of investments	(969,420)	(680,013)
Proceeds on disposal of investments	784,674	614,452
Purchase of property and equipment	(9,417)	(11,171)
Proceeds on disposal of property and equipment	548	517
Net cash utilized by investing activities	**(236,239)**	(70,273)
Financing Activities		
Borrowing from the Province of Alberta	832,348	568,581
Repayment of borrowing from the Province of Alberta	(796,051)	(584,385)
Government of Canada funding for property and equipment	3,138	3,432
Province of Alberta funding for property and equipment	5,523	5,218
Net cash provided (utilized) by financing activities	**44,958**	(7,154)
Net increase in cash from operating, investing and financing activities	**152,605**	87,959
Cash at beginning of year	163,415	75,456
Cash at end of year	**$316,020**	**$ 163,415**

(1) Net cash provided by operating activities includes $45,190 (2006 $43,184) of interest paid.

The accompanying notes and schedules are part of these financial statements.

Notes to the Financial Statements March 31, 2007

(in thousands)

Note 1 Authority and Purpose

The Agriculture Financial Services Corporation (the "Corporation") operates under the authority of the *Agriculture Financial Services Act*, Chapter A-12 RSA 2000.

The Corporation provides lending and insurance services and compensation programs. Its core programs and services include loans to farm operations, commercial lending, production insurance, hail insurance and agricultural income stabilization payments. It also delivers other programs and services including loan guarantees, and business counseling.

Note 2 Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with Canadian generally accepted accounting principles.

(a) Cash
Cash consists of a deposit in the Consolidated Cash Investment Trust Fund which is managed by the Province of Alberta to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital.

(b) Investments
Investments are carried at cost or amortized cost unless there is an other than temporary decline in the value of the investments, then the investments are written down to recognize the loss. Premiums and discounts on investments are amortized to investment income using the straight-line method over the period to maturity of the related investment. Gains and losses realized on disposal of investments are included in investment income.

(c) Property and Equipment
Property and equipment are carried at cost less accumulated amortization. Amortization is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Building	25 - 40 years
Land improvements	25 years
Software development costs	2 - 10 years
Equipment and furniture	10 years
Vehicles	5 years
Computer equipment	5 years

(d) Notes Payable
Notes payable are carried at amortized cost. Premiums and discounts on notes payable are amortized to interest expense using the effective yield method over the period to maturity.

(e) Fair Value of Financial Instruments
Because of the relatively short period to maturity, short-term financial instruments are valued at cost and adjusted for any applicable allowance for doubtful accounts. This is considered to be equivalent to fair value and applies to Cash, Accounts receivable, Due from Province of Alberta, Due from Government of Canada, Accounts payable and accrued liabilities, Estimated indemnities payable and Due to Crop Reinsurance Fund of Canada for Alberta. Fair values of Loans receivable, Investments and Notes payable are disclosed in their respective notes.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(f) Reinsurance

In accordance with the Federal/Provincial Agricultural Policy Framework Implementation Agreement, two crop reinsurance funds were established. On behalf of the Province, the Corporation administers the provincial fund called the Crop Reinsurance Fund of Alberta. Canada holds the federal fund called the Crop Reinsurance Fund of Canada for Alberta. The Crop Reinsurance Fund of Alberta is included as part of the production insurance surplus of the Corporation. Contributions to and withdrawals from the Funds are made in accordance with terms and conditions of the agreement (see Note 17).

Estimates of amounts recoverable from non-government reinsurers on premiums, indemnities and adjusting expenses are recorded in Accounts receivable. Reinsurance recoveries are not netted against indemnities, they are separately disclosed under revenue. Reinsurance expenses are not netted against premiums from insured persons or contributions from the Province and Government of Canada; they are separately disclosed under expenses.

(g) Loan Discounting

Loans made under the Alberta Disaster Assistance Loan Program, Alberta Farm Income Disaster Program, and amounts previously deferred under the Indexed Deferral Plan are discounted when they involve significant concessionary elements. The amounts discounted are being amortized to revenue over the lives of the concessionary terms.

(h) Revenue Recognition

Interest revenue on loans receivable is recognized on an accrual basis unless the ultimate collectibility of the loan is in doubt. When a loan is classified as impaired, interest revenue is no longer recognized. An impaired loan is a loan in which there is risk of loss to the Corporation for full and timely collection of the debt. Impairment may be due to a security deficiency, inadequate cash flow, economic factors in a specific segment of the industry or a catastrophic event.

Premiums from insured persons, including federal and provincial government contributions, are recognized as income when invoiced to producers.

Federal and provincial contributions for property and equipment acquisitions are recorded as deferred revenue until that revenue is recognized on the same basis as those property and equipment costs are amortized.

Loan fees are recognized when received or at the time of loan disbursement. Other fees are recorded when the Corporation completes the applicable service.

(i) Pensions

The Corporation participates in multi-employer pension plans with related government entities. Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year.

(j) Provision for Losses on Loans and Guarantees

Provisions are established for specifically identified potential losses on loans and guarantees. When a loan is identified as impaired, a specific provision is established. Specific provisions are established by reducing the recorded investment in the loan by the discounted fair value of the security and the estimated costs to collect. Specific provisions are determined in this manner because the amounts and timing of future cash flows cannot be estimated with reasonable reliability. The provision for doubtful accounts is adjusted for the change in the present value of the security held.

In addition to the specific provision, the Corporation establishes a general allowance for doubtful accounts not meeting the specific provision criteria. The general allowance is management's estimate of loss on loan balances based on assessed risk for each account. Risk for each account is determined based on credit risk score, debt servicing ratios, net capital ratios, arrears, certain amendments to loan terms and shortfalls of security covering loan balances.

(k) Transactions with Related Parties

The Province and the Government of Canada significantly influence the programs delivered by the Corporation and are major contributors to the funding of the programs. Therefore, both governments are considered related parties. All related party transactions with the Province and the Government of Canada have been recorded at the amount of consideration paid or received as agreed to by the related party (see Note 16).

Note 3 Financial Structure

(a) Budget
The Board of Directors approved the Corporation's budget in March 2006. Provincial funding for the approved budget of $337,077 was authorized by the Legislative Assembly. Supplementary estimates were subsequently approved by the Legislative Assembly that increased funding from the Province of Alberta to $648,077.

(b) Crop Fund Balance Restriction
In accordance with the Federal/Provincial Agricultural Policy Framework Implementation Agreement, the crop insurance fund is restricted to being used for production insurance purposes.

(c) Other Revenue and Expenses
The Other column in the Schedule of Revenue, Expense and Surplus includes the wildlife program, the Farm Income Disaster Program and consulting fees and expenses that are not attributable to any of the programs disclosed in the Schedule.

Note 4 Accounts Receivable

	2007	2006
Canadian agricultural income stabilization program		
Overpayments and advances	$111,737	$123,076
Administration fees	5,246	2,439
Premiums from insured persons		
Production insurance program	9,395	9,917
Hail insurance program	365	351
Prepaid expenses	894	617
Other	3,005	2,085
	130,642	138,485
Less allowances for doubtful accounts (Note 13)	(9,420)	(1,382)
	$121,222	$137,103

Included in CAIS program overpayments and advances is $15,391 (2006 $88,502) for estimated overpayments that are subject to measurement uncertainty. The estimate of $15,391 is for CAIS participants who have received advance payments but have not yet had their final claim processed by the Corporation. The estimate is based on historical experience of advances resulting in overpayments.

The allowance for doubtful accounts of $9,420 (2006 $1,382) for estimated losses on premiums receivable and overpayments is also subject to measurement uncertainty. The allowance estimate is based on an assessment of the ability to collect the outstanding balance.

CAIS overpayments are non-interest bearing until December 31, 2007. Participants will receive a rebate if they repay the CAIS overpayment within 90 days of the overpayment notification or they can convert the overpayment to an interest bearing loan up until December 31, 2007. If the overpayment is not repaid or converted to a loan, the Corporation will pursue collection. Collection will include the recovery of the overpayment from future payments under the programs delivered by the Corporation as well as programs administered by the Province of Alberta and Government of Canada.

Note 5 Loans Receivable

Loans receivable are comprised of the following:

	2007				2006
	Recorded Investment	Specific Allowance	General Allowance	Net Carrying Value	Net Carrying Value
Farm lending	$ 835,088	$ (425)	$(15,042)	$ 819,621	$789,396
Commercial lending	182,286	(11,753)	(3,457)	167,076	162,579
	$1,017,374	$(12,178)	$(18,499)	986,697	951,975
Accrued interest				25,691	24,946
Accrued incentives				(2,030)	(2,279)
Loan discounts				(1,065)	(1,558)
				$1,009,293	$973,084

Impaired loans included in the preceding schedule:

	2007			2006
	Recorded Investment	Specific Allowance	Net Carrying Value	Net Carrying Value
Commercial lending	$22,960	$(11,753)	$11,207	$11,494
Farm lending	2,334	(425)	1,909	5,422
	$25,294	$(12,178)	$13,116	$16,916

The impaired loans balance includes property held for sale which has been acquired as a result of foreclosures, quit claims and other actions. There is a specific allowance of $2,691 (2006 $2,688) on property balances outstanding of $3,115 (2006 $3,941).

Included in the above loans receivable balance are loans with concessionary terms which, before discounting, have principal amounts outstanding of:

	2007	2006
Alberta disaster assistance loan program	$35,582	$40,239
Alberta farm income disaster loans	16,538	21,939
Indexed deferral plan	516	668
	$52,636	$62,846

Included in Loans receivable is a specific allowance of $12,178 (2006 $9,204) and a general allowance of $18,499 (2006 $28,224) that are subject to measurement uncertainty. The amount established for specific and general allowances of $30,677 to cover estimated losses on loans (see Note 2(j)) could change substantially in the future, if factors considered by management in establishing these estimates were to change significantly.

The approximate fair value of loans receivable at March 31, 2007 is $987,333 (2006 $981,203). Fair value is based on future cash flows discounted by rates equivalent to the market rates on loans with similar terms and credit risk.

Note 6 Investments

	2007	2006
Bonds and debentures		
Government of Canada, direct and guaranteed	$248,762	$141,546
Other provincial direct and guaranteed	42,791	15,742
	291,553	157,288
Corporate securities	127,855	78,520
	419,408	235,808
Accrued interest	3,736	2,651
	$423,144	$238,459

The fair value of investments at March 31, 2007 is $424,519 (2006 $238,183). Fair value is based on quoted market prices including accrued interest.

Note 7 Property and Equipment

	2007			2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Software development costs	$43,051	$20,008	$23,043	$19,468
Building	9,341	2,210	7,131	7,468
Computer equipment	8,383	7,038	1,345	1,751
Equipment and furniture	4,388	2,626	1,762	2,083
Vehicles	1,415	1,064	351	461
Land and land improvements	799	36	763	781
	$67,377	$32,982	$34,395	$32,012

Software development costs include $1,247 (2006 $7,126) of costs incurred that are not amortized because they are still in the developmental or construction stage.

Note 8 Estimated Indemnities Payable

	2007	2006
Canadian agricultural income stabilization program and related programs	$580,973	$449,222
Production insurance	7,595	6,654
Wildlife compensation	2,171	826
Hail insurance	352	181
	$591,091	$456,883

Estimated indemnities payable of $580,973 and corresponding contributions and receivables from the Province of Alberta and Government of Canada for the Canadian Agricultural Income Stabilization (CAIS) program are subject to measurement uncertainty because they could change significantly in the future, if factors considered by management in establishing the estimates were to change significantly.

CAIS indemnities payable includes estimated payments for the 2006 claim year of $320,377 for the vast majority of claims that have not been received yet because the deadline for submission of complete information is after the end of the fiscal year. CAIS program payments are triggered when the participants claim year program margin falls below their support level.

Note 8 Estimated Indemnities Payable (continued)

The two factors impacting estimated indemnities payable for the 2006 claim year are the number of participants and estimated program margins. The estimated number of participants for the 2006 claim year is based on the number of farm operations participating in the program during the 2005 claim year. The estimated program margins are based on forecasted changes in eligible income and expenses and inventories between 2005 and 2006. Based on historical experience of variability between forecasts and actual results of key assumptions, the estimated indemnities for the 2006 claim would range from $270,971 to $377,362.

CAIS indemnities payable includes estimated payments of $135,485 for claims received but not processed for the 2004 and 2005 claim years. The estimates for the 2004 and 2005 claim years are based on the number of claims received but not yet processed and the estimated average payment per claim.

CAIS indemnities payable includes estimated payments of $125,111 (2006 $84,902) for related programs. The related programs were approved by the Government of Alberta for the 2003, 2004, 2005 and 2006 claim years. The estimate is based on historical payment ratios for claims processed.

Note 9 Notes Payable

Notes payable to the Province of Alberta are comprised of the following:

Remaining Term to Maturity	Effective Interest Rate	2007	Effective Interest Rate	2006
Within 1 year	4.10% - 4.18%	$ 98,610	2.57% - 5.54%	$ 92,843
1 to 5 years	3.75% - 7.64%	385,916	3.75% - 5.93%	263,492
6 to 10 years	4.21% - 6.52%	296,180	4.26% - 7.64%	192,358
Over 10 years	4.43% - 5.12%	139,073	4.43% - 6.52%	335,395
Accrued interest		11,592		12,971
		$931,371		$897,059

Net unamortized discounts of $3,953 (2006 $3,347) are included in the balances disclosed.

Principal repayments due in each of the next five years are as follows:

Year ending March 31, 2008	$162,629
2009	$159,688
2010	$ 56,088
2011	$160,738
2012	$ 91,900

The approximate fair value at March 31, 2007 is $953,325 (2006 $922,702). Fair value is an approximation of market value to the holder.

Note 10 Deferred Revenue

	2007	2006
Government of Canada property and equipment	$11,389	$ 8,634
Province of Alberta property and equipment	8,344	7,503
Premiums from insured persons	6,411	7,730
	$26,144	$23,867

Note 11 Reinsurance

In addition to the protection provided by reinsurance arrangements between the provincial and federal governments, the Corporation has obtained reinsurance from non-government sources. For production insurance, the Corporation reinsured a maximum of $96,432 of the risk from non-government sources. For hail insurance, the Corporation reinsured a maximum of $6,600 of the risk from non-government sources.

Note 12 Pensions

The Corporation participates in the multi-employer Management Employees Pension Plan and Public Service Pension Plan. The Corporation also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $2,252 for the year ended March 31, 2007 (2006 $2,042).

At December 31, 2006, the Management Employees Pension Plan reported a deficiency of $6,765 (2005 $165,895) and the Public Service Pension Plan reported a surplus of $153,024 (2005 deficit $187,704). At December 31, 2006, the Supplementary Retirement Plan for Public Service Managers had a surplus of $3,698 (2005 $10,018).

Note 13 Allowances for Doubtful Accounts and for Losses

	Accounts Receivable (Note 4)	Farm Lending Loans Receivable (Note 5)	Commercial Lending Loans Receivable (Note 5)	Loan Guarantees (Note 14)	Total
Allowances at March 31, 2005	$1,129	$ 27,871	$14,872	$1,186	$45,058
Provision (recovery) for 2005-06	280	(1,111)	(1,684)	(362)	(2,877)
Write-offs in 2005-06, net of recoveries	(27)	(495)	(2,025)	–	(2,547)
Allowances at March 31, 2006	1,382	26,265	11,163	824	39,634
Provision (recovery) for 2006-07	8,020	(10,310)	4,785	32	2,527
Write-offs in 2006-07, net of recoveries	18	(488)	(738)	–	(1,208)
Allowances at March 31, 2007	$9,420	$ 15,467	$15,210	$ 856	$40,953

Note 14 Contingencies and Commitments

	2007	2006
Loan guarantees	$26,336	$29,939
Less allowances for losses (Note 13)	(856)	(824)
	25,480	29,115
Legal actions	800	887
Total contingencies	$26,280	$30,002

The majority of loan guarantees relate to loans made by other financial institutions with repayment guaranteed by the Corporation.

Legal actions represent amounts claimed or amounts claimed in excess of what was accrued. The outcome of the legal actions is not determinable at this time.

	2007	2006
Approved, undisbursed loans	$67,911	$36,914
Reinsurance	15,600	15,500
Estimated farm loan incentives	11,929	15,569
Operating leases	858	1,003
Total commitments	$96,298	$68,986

The operating lease commitments are for accommodations with terms up to five years.

Note 15 Credit Risk and Interest Risk

(a) Credit Risk

Credit risk is the risk that a debtor may not pay amounts owing thus resulting in a loss.

The following table provides a breakdown of the loan receivables by sector. This analysis provides an indication of the concentration of credit risk on the loan portfolio. Significant information is provided throughout these statements to disclose other concentrations of credit risk.

	2007	2006
Loans receivable by sector		
Grain	$ 420,673	$ 408,360
Beef	338,593	324,530
Hog	25,831	25,700
Manufacturing	25,138	29,060
Trade – retail and wholesale	24,546	32,317
Accomodation and food services	16,634	22,935
Processors/feedmills	4,059	4,221
Other	184,496	163,389
	1,039,970	1,010,512
Allowance	(30,677)	(37,428)
	$1,009,293	$ 973,084

(b) Interest Risk

Interest rate risk is the impact future changes of interest rates have on cash flows and fair value of assets and liabilities. The following provides a breakdown of the gaps between the notes payable and the loan portfolio. Because there are no early repayment penalties on most loan programs, the gap analysis includes an adjustment for expected repayments based on historical patterns.

	Term to Maturity [1]					2007	2006
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	Not Interest Rate Sensitive [2]	Total	Total
Farm loans	$ 72,406	$280,080	$238,180	$256,249	$ (6,168)	$ 840,747	$810,332
Yield [3]	6.46%	6.29%	6.31%	5.84%	–	6.28%	6.59%
Commercial loans	$ 44,285	$100,999	$ 24,717	$ 1,641	$ (3,096)	$ 168,546	$162,752
Yield [3]	7.08%	7.12%	5.83%	8.67%	–	6.95%	6.94%
Total	$116,691	$381,079	$262,897	$257,890	$ (9,264)	$1,009,293	$973,084
Yield [3]	6.47%	6.36%	6.28%	5.83%	–	6.31%	6.61%
Notes payable Province of Alberta	$162,629	$468,414	$220,683	$ 72,006	$ 7,639	$ 931,371	$897,059
Yield [3]	5.13%	4.90%	4.99%	4.25%	–	4.96%	5.34%
Net gap before prepayment adjustment	$(45,938)	$(87,335)	$ 42,214	$185,884	$(16,903)	$ 77,922	$ 76,025
Estimated prepayment	45,527	76,388	(24,688)	(97,227)	–	–	–
Net gap	$ (411)	$(10,947)	$ 17,526	$ 88,657	$(16,903)	$ 77,922	$ 76,025

The gap positions represent the mismatching of the financing with the loan portfolio at March 31, 2007. The gaps provide an indication of the potential risks to the Corporation if interest rates change. At March 31, 2007 an immediate and sustained increase in interest rates of 1% would increase the net fair market value of loans and financing for the next fiscal year by $11,743 based on the net gap before prepayment adjustment. A corresponding decrease in interest rates would decrease the net fair market value of loans and financing by a similar amount over the same period.

This gap analysis does not include the investment portfolio, which is disclosed separately below. Investments are not included because investments relate to insurance program cash flows which are managed separately from lending program cash flows.

Note 15 Credit Risk and Interest Risk (continued)

(b) Interest Risk (continued)

The following provides a breakdown of the investment portfolio by term to maturity.

	Term to Maturity [1]				2007	2006
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	Total	Total
Bonds and debentures	$148,042	$ 86,612	$46,964	$ 9,935	$291,553	$157,288
Yield [3]	4.20%	4.10%	4.43%	5.22%	4.24%	3.96%
Corporate securities	–	89,176	38,679	–	127,855	78,520
Yield [3]	–	4.51%	3.73%	–	4.27%	4.46%
	148,042	175,788	85,643	9,935	419,408	235,808
Accrued interest	589	1,740	1,294	113	3,736	2,651
	$148,631	$177,528	$86,937	$10,048	$423,144	$238,459

(1) For loans, term to maturity reflects the period of time until an interest rate renegotiation date or the maturity date of the loan. For notes payable, term to maturity reflects the contractual maturity date of the debt. The interest rates are fixed until maturity. Repayment is either by semi-annual, annual installments or full repayment at maturity of principal. For investments, term to maturity classifications are based on contractual maturity date of the security.

(2) Includes general provisions, accrued interest, accrued beginning farmer incentive and unamortized loan discount.

(3) For notes payable and investments, yield represents the rate which discounts future cash receipts to the carrying amount. For loans, yield represents the rate which discounts the stream of future payments from the reporting date to the next interest rate renegotiation date or the rate which discounts future cash receipts to the carrying amount.

Note 16 Related Party Transactions

Sufficient information is provided throughout these statements to disclose significant related party transactions the Corporation entered into, except for the following:

	2007	2006
Interest expense – Province of Alberta	$45,135	$44,849
Administration expense – Province of Alberta	508	1,586
Administration expense – Government of Canada	304	374

The Corporation entered into an agreement to deliver the CAIS Inventory Transition Initiative (CITI) as an agent of the Government of Canada. The Corporation paid $264,400 in CITI claims to eligible participants. The indemnities expense and associated revenues are not included in the Statement of Revenues, Expense and Surplus. Included in Due from the Government of Canada is $12,026 for funding received but not paid to participants.

Note 17 Crop Reinsurance Funds

The contributions, withdrawals and accumulated surplus positions of the Crop Reinsurance Fund of Alberta and Crop Reinsurance Fund of Canada for Alberta are as follows (see Note 2(f)):

	Crop Reinsurance Fund of Alberta		Crop Reinsurance Fund of Canada for Alberta	
	2007	2006	2007	2006
Opening surplus (deficit)	$14,399	$ 2,843	$15,265	$(29,828)
Contributions	3,314	11,556	3,248	45,093
Closing surplus	$17,713	$14,399	$18,513	$ 15,265

Note 18 Comparative Figures

The 2006 figures have been reclassified where necessary to conform to 2007 presentation.

Agency – continued
Agriculture Financial Services Corporation – Schedule of Revenue, Expense and Surplus for the Year Ended March 31, 2007

Schedule 1
(in thousands)

	2007 Canadian Agricultural Income Stabilization	2006 Canadian Agricultural Income Stabilization	2007 Production Insurance	2006 Production Insurance	2007 Lending	2006 Lending
Revenue						
Premiums from insured persons	$ –	$ –	$105,526	$116,968	$ –	$ –
Interest	–	3	452	435	67,710	68,110
Contribution from Province of Alberta	419,258	288,900	179,489	171,628	2,923	8,210
Contribution from Government of Canada	138,578	195,710	90,364	95,818	–	–
Investment income	7,040	1,431	19,512	10,017	346	449
Fees and other income	12,734	2,008	67	47	7,624	1,929
	577,610	488,052	395,410	394,913	78,603	78,698
Expense						
Indemnities	550,550	472,366	136,589	147,013	–	–
Administration (Schedule 2)	19,739	15,686	19,406	18,454	20,746	22,218
Interest	–	–	–	39	45,135	44,849
Reinsurance	–	–	15,953	58,011	–	–
Adjusting	–	–	6,516	6,447	–	–
Farm loan incentives	–	–	–	–	4,552	4,883
Provision (recovery) for doubtful accounts and for losses (Note 13)	7,321	–	588	262	(5,494)	(3,157)
Selling commissions	–	–	–	–	–	–
	577,610	488,052	179,052	230,226	64,939	68,793
Surplus (deficit) for the year	–	–	216,358	164,687	13,664	9,905
Surplus at beginning of year	–	–	349,663	184,976	71,543	61,638
Surplus at end of year	$ –	$ –	$566,021	$349,663	$85,207	$71,543

Agency – continued
Agriculture Financial Services Corporation – Schedule of Revenue, Expense and Surplus for the Year Ended March 31, 2007

Schedule 1 continued

	2007 Hail Insurance	2006 Hail Insurance	2007 Other	2006 Other	2007 Total	2006 Total
Revenue						
Premiums from insured persons	$26,886	$24,556	$ –	$ –	$ 132,412	$141,524
Interest	89	77	6	11	68,257	68,636
Contribution from Province of Alberta	–	–	3,235	(705)	604,905	468,033
Contribution from Government of Canada	–	–	4,206	(610)	233,148	290,918
Investment income	1,648	2,331	43	–	28,589	14,228
Fees and other income	422	431	345	370	21,192	4,785
	29,045	27,395	7,835	(934)	1,088,503	988,124
Expense						
Indemnities	26,342	21,722	5,574	(2,117)	719,055	638,984
Administration (Schedule 2)	1,510	1,415	1,807	328	63,208	58,101
Interest	–	1	55	138	45,190	45,027
Reinsurance	558	548	–	–	16,511	58,559
Adjusting	600	525	412	674	7,528	7,646
Farm loan incentives	–	–	–	–	4,552	4,883
Provision (recovery) for doubtful accounts and for losses (Note 13)	99	18	13	–	2,527	(2,877)
Selling commissions	2,075	2,233	–	–	2,075	2,233
	31,184	26,462	7,861	(977)	860,646	812,556
Surplus (deficit) for the year	(2,139)	933	(26)	43	227,857	175,568
Surplus at beginning of year	40,591	39,658	584	541	462,381	286,813
Surplus at end of year	$38,452	$40,591	$ 558	$ 584	$ 690,238	$462,381

Agency – continued
Agriculture Financial Services Corporation – Schedule of Administration Expense for the Year Ended March 31, 2007

Schedule 2
(in thousands)

	2007 Budget (Note 3(a))	2007 Actual	2006 Actual
Salaries and benefits (Note 12)	$35,358	$36,171	$33,904
Contracted services	8,838	11,051	8,765
Amortization of capital assets	5,300	6,597	5,301
Office accomodation costs	2,782	1,864	3,017
Stationery and supplies	1,486	1,631	1,418
Data processing	952	1,387	1,310
Advertising	999	758	699
Travel and automobile	951	746	705
Training, meetings, seminars, conferences	747	699	478
Professional services	582	546	443
Telecommunications	1,012	519	615
Postage and freight	743	487	481
Equipment, rental and maintenance	374	325	412
Directors' fees and expenses	482	286	413
Miscellaneous	135	141	140
	$60,741	$63,208	$58,101

Agency – continued
Agriculture Financial Services Corporation – Schedule of Salaries and Benefits for the Year Ended March 31, 2007

Schedule 3
(in thousands)

	2007				2006
	Base Salary [1]	Other Cash Benefits [2]	Other Non-cash Benefits [3]	Total	Total
Chairman of Board	$ 37	$ –	$ –	$ 37	$ 72
Board members [4]	158	–	–	158	233
President and Managing Director	206	79	48	333	281
Executive/Vice-Presidents					
Vice-President, Finance	157	38	36	231	204
Vice-President, Lending Operations	157	26	36	219	194
Vice-President, Risk Management	157	26	36	219	207

(1) Base salaries are fees for Chair and Board members and base pay for employees.

(2) Other cash benefits include bonuses and lump sum payments.

(3) Other non-cash benefits include employer's share of all employee benefits, including health care, dental, medical and vision care allowance, group life insurance benefits, pension and supplementary retirement plan, employment insurance, accidental death/dismemberment and long-term disability insurance, workers' compensation and professional memberships. No amount is included in other non-cash benefits for an automobile provided to the President and Managing Director.

(4) The amounts relate to eight Board members during 2006/07 (eight in 2005/06).

Summary of Financial Information

* Information on this page has not been audited *

Statement of Remissions, Compromises and Write-Offs for the Year Ended March 31, 2007

The following statement has been prepared pursuant to Section 23 of the Financial Administration Act. The statement includes all remissions, compromises and write-offs made or approved during the fiscal year.

Write-offs

Departmental accounts receivable	$ –
Agriculture Financial Services Corporation	1,216,423
Total remissions, compromises and write-offs	**$1,216,423**

The following statement has been prepared pursuant to Section 75 of the Financial Administration Act. The statement includes all guarantees, indemnities, payments and recoveries made during the fiscal year.

Statement of Guarantees and Indemnities Given by Provincial Corporations for the Year Ended March 31, 2007

Program/Borrower	Amount of Guarantee or Indemnity	Payments	Recoveries
Agriculture Financial Services Corporation	$3,922,073	$19,055	$6,909
Total guarantees and indemnities given	**$3,922,073**	**$19,055**	**$6,909**

Entities Included in the Consolidated Government Reporting Entity

Ministry, Department, Fund or Agency	Ministry Annual Report
Access to the Future Fund[1]	Advanced Education and Technology
Agriculture Financial Services Corporation	Agriculture and Food
Alberta Alcohol and Drug Abuse Commission	Health and Wellness
Alberta Cancer Prevention Legacy Fund[2]	Finance
Alberta Capital Finance Authority	Finance
Alberta Energy and Utilities Board	Energy
Alberta Foundation for the Arts	Tourism, Parks, Recreation and Culture
Alberta Gaming and Liquor Commission	Solicitor General and Public Security
Alberta Heritage Foundation for Medical Research Endowment Fund	Finance
Alberta Heritage Savings Trust Fund	Finance
Alberta Heritage Scholarship Fund	Finance
Alberta Heritage Science and Engineering Research Endowment Fund	Finance
Alberta Historical Resources Foundation	Tourism, Parks, Recreation and Culture
Alberta Insurance Council	Finance
Alberta Local Authorities Pension Plan Corporation[3]	Finance
Alberta Pensions Administration Corporation	Finance
Alberta Petroleum Marketing Commission	Energy
Alberta Research Council Inc.	Advanced Education and Technology
Alberta Risk Management Fund	Finance
Alberta School Foundation Fund	Education
Alberta Securities Commission	Finance
Alberta Social Housing Corporation	Municipal Affairs and Housing
Alberta Sport, Recreation, Parks and Wildlife Foundation	Tourism, Parks, Recreation and Culture
Alberta Treasury Branches	Finance
ATB Insurance Advisors Inc.[4]	Finance
ATB Investment Management Inc.	Finance
ATB Investment Services Inc.	Finance
ATB Services Inc.	Finance

1 Established July 10, 2005.

2 Proclaimed May 31, 2006.

3 Incorporated December 16, 2005.

4 Incorporated July 12, 2006.

Alphabetical List of Government Entities' Financial Statements – continued

Ministry, Department, Fund or Agency	Ministry Annual Report
Child and Family Services Authorities:	Children's Services
Calgary and Area Child and Family Services Authority	
Central Alberta Child and Family Services Authority	
East Central Alberta Child and Family Services Authority	
Edmonton and Area Child and Family Services Authority	
North Central Alberta Child and Family Services Authority	
Northeast Alberta Child and Family Services Authority	
Northwest Alberta Child and Family Services Authority	
Southeast Alberta Child and Family Services Authority	
Southwest Alberta Child and Family Services Authority	
Metis Settlements Child and Family Services Authority	
C-FER Technologies (1999) Inc.	Advanced Education and Technology
Credit Union Deposit Guarantee Corporation	Finance
Colleges:	Advanced Education and Technology
Alberta College of Art and Design	
Bow Valley College	
Grande Prairie Regional College	
Grant MacEwan College	
Keyano College	
Lakeland College	
Lethbridge Community College	
Medicine Hat College	
Mount Royal College	
NorQuest College	
Northern Lakes College	
Olds College	
Portage College	
Red Deer College	

Alphabetical List of Government Entities' Financial Statements – continued

Ministry, Department, Fund or Agency	Ministry Annual Report
Department of Advanced Education and Technology	Advanced Education and Technology
Department of Agriculture and Food	Agriculture and Food
Department of Children's Services	Children's Services
Department of Education	Education
Department of Energy	Energy
Department of Finance	Finance
Department of Health and Wellness	Health and Wellness
Department of Municipal Affairs and Housing	Municipal Affairs and Housing
Department of Seniors and Community Supports	Seniors and Community Supports
Department of Solicitor General and Public Security	Solicitor General and Public Security
Department of Sustainable Resource Development	Sustainable Resource Development
Department of Tourism, Parks, Recreation and Culture	Tourism, Parks, Recreation and Culture
Environmental Protection and Enhancement Fund	Sustainable Resource Development
Gainers Inc.	Finance
Government House Foundation	Tourism, Parks, Recreation and Culture
Historic Resources Fund	Tourism, Parks, Recreation and Culture
Human Rights, Citizenship and Multiculturalism Education Fund	Tourism, Parks, Recreation and Culture
iCORE Inc.	Advanced Education and Technology
Lottery Fund	Solicitor General and Public Security
Ministry of Advanced Education and Technology	Advanced Education and Technology
Ministry of Agriculture and Food	Agriculture and Food
Ministry of Children's Services	Children's Services
Ministry of Education	Education
Ministry of Employment, Immigration and Industry[5]	Employment, Immigration and Industry
Ministry of Energy	Energy
Ministry of Environment[5]	Environment
Ministry of Executive Council[5]	Executive Council
Ministry of Finance	Finance
Ministry of Health and Wellness	Health and Wellness
Ministry of Infrastructure and Transportation[5]	Infrastructure and Transportation

5 Ministry includes only the departments so separate departmental financial statements are not necessary.

Alphabetical List of Government Entities' Financial Statements – continued

Ministry, Department, Fund or Agency	Ministry Annual Report
Ministry of International, Intergovernmental and Aboriginal Relations[5]	International, Intergovernmental and Aboriginal Relations
Ministry of Justice[5]	Justice
Ministry of Municipal Affairs and Housing	Municipal Affairs and Housing
Ministry of Seniors and Community Supports	Seniors and Community Supports
Ministry of Service Alberta[5]	Service Alberta
Ministry of Solicitor General and Public Security	Solicitor General and Public Security
Ministry of Sustainable Resource Development	Sustainable Resource Development
Ministry of Tourism, Parks, Recreation and Culture	Tourism, Parks, Recreation and Culture
Ministry of the Treasury Board[5]	Treasury Board
N.A. Properties (1994) Ltd.	Finance
Natural Resources Conservation Board	Sustainable Resource Development
Persons with Developmental Disabilities Community Boards:	Seniors and Community Supports
Calgary Region Community Board	
Central Region Community Board	
Edmonton Region Community Board	
Northeast Region Community Board	
Northwest Region Community Board	
South Region Community Board	
Persons with Developmental Disabilities Provincial Board[6]	Seniors and Community Supports
Provincial Judges and Masters in Chambers Reserve Fund	Finance

5 Ministry includes only the departments so separate departmental financial statements are not necessary.

6 Ceased operations June 30, 2006.

Alphabetical List of Government Entities' Financial Statements – continued

Ministry, Department, Fund or Agency	Ministry Annual Report
Regional Health Authorities and Provincial Health Boards:	Health and Wellness
Alberta Cancer Board	
Alberta Mental Health Board	
Aspen Regional Health Authority	
Calgary Health Region	
Capital Health	
Chinook Regional Health Authority	
David Thompson Regional Health Authority	
East Central Health	
Health Quality Council of Alberta[7]	
Northern Lights Health Region	
Peace Country Health	
Palliser Health Region	
Safety Codes Council	Municipal Affairs and Housing
School Boards and Charter Schools:	Education
Almadina School Society	
Aspen View Regional Division No. 19	
Aurora School Ltd.	
Battle River Regional Division No. 31	
Black Gold Regional Division No. 18	
Boyle Street Education Centre	
Buffalo Trail Public Schools Regional Division No. 28	
Calgary Arts Academy Society	
Calgary Girls' School Society	
Calgary Roman Catholic Separate School District No. 1	
Calgary School District No. 19	
Calgary Science School Society	
Canadian Rockies Regional Division No. 12	
CAPE-Centre for Academic and Personal Excellence Institute	
Chinook's Edge School Division No. 73	
Christ the Redeemer Catholic Separate Regional Division No. 3	
Clearview School Division No. 71	

7 Established July 1, 2006.

Ministry, Department, Fund or Agency	Ministry Annual Report
East Central Alberta Catholic Separate Schools Regional Division No. 16	
East Central Francophone Education Region No. 3	
Edmonton Catholic Separate School District No. 7	
Edmonton School District No. 7	
Elk Island Catholic Separate Regional Division No. 41	
Elk Island Public Schools Regional Division No. 14	
Evergreen Catholic Separate Regional Division No. 2	
FFCA Charter School Society	
Foothills School Division No. 38	
Fort McMurray Roman Catholic Separate School District No. 32	
Fort McMurray School District No. 2833	
Fort Vermilion School Division No. 52	
Golden Hills School Division No. 75	
Grande Prairie Public School District No. 2357	
Grande Prairie Roman Catholic Separate School District No. 28	
Grande Yellowhead Regional Division No. 35	
Grasslands Regional Division No. 6	
Greater North Central Francophone Education Region No. 2	
Greater Southern Public Francophone Education Region No. 4	
Greater Southern Separate Catholic Francophone Education Region No. 4	
Greater St. Albert Catholic Regional Division No. 29	
High Prairie School Division No. 48	
Holy Family Catholic Regional Division No. 37	
Holy Spirit Roman Catholic Separate Regional Division No. 4	
Horizon School Division No. 67	
Lakeland Roman Catholic Separate School District No. 150	
Lethbridge School District No. 51	

Ministry, Department, Fund or Agency	Ministry Annual Report
Living Waters Catholic Regional Division No. 42	
Livingstone Range School Division No. 68	
Medicine Hat Catholic Separate Regional Division No. 20	
Medicine Hat School District No. 76	
Moberly Hall School Society	
Mother Earth's Children's Charter School Society	
New Horizons Charter School Society	
Northern Gateway Regional Division No. 10	
Northern Lights School Division No. 69	
Northland School Division No. 61	
Northwest Francophone Education Region No. 1	
Palliser Regional Division No. 26	
Parkland School Division No. 70	
Peace River School Division No. 10	
Peace Wapiti School Division No. 76	
Pembina Hills Regional Division No. 7	
Prairie Land Regional Division No. 25	
Prairie Rose School Division No. 8	
Red Deer Catholic Regional Division No. 39	
Red Deer School District No. 104	
Rocky View School Division No. 41	
St. Albert Protestant Separate School District No. 6	
St. Paul Education Regional Division No. 1	
St. Thomas Aquinas Roman Catholic Separate Regional Division No. 38	
Sturgeon School Division No. 24	
Suzuki Charter School Society	
Westmount Charter School Society	
Westwind School Division No. 74	
Wetaskiwin Regional Division No. 11	
Wild Rose School Division No. 66	
Wolf Creek School Division No. 72	
Supplementary Retirement Plan Reserve Fund	Finance

Ministry, Department, Fund or Agency	Ministry Annual Report
Technical Institutes and The Banff Centre:	Advanced Education and Technology
Northern Alberta Institute of Technology	
Southern Alberta Institute of Technology	
The Banff Centre for Continuing Education	
Universities:	Advanced Education and Technology
Athabasca University	
The University of Alberta	
The University of Calgary	
The University of Lethbridge	
Victims of Crime Fund	Solicitor General and Public Security
Wild Rose Foundation	Tourism, Parks, Recreation and Culture

Entities Not Included in the Consolidated Government Reporting Entity

Fund or Agency	Ministry Annual Report
Alberta Foundation for Health Research	Advanced Education and Technology
Alberta Heritage Foundation for Medical Research	Advanced Education and Technology
Alberta Heritage Foundation for Science and Engineering Research	Advanced Education and Technology
Alberta Teachers' Retirement Fund Board	Education
Improvement Districts' Trust Account	Municipal Affairs and Housing
Local Authorities Pension Plan	Finance
Long-Term Disability Income Continuance Plan – Bargaining Unit	Service Alberta
Long-Term Disability Income Continuance Plan – Management, Opted Out and Excluded	Service Alberta
Management Employees Pension Plan	Finance
Provincial Judges and Masters in Chambers Pension Plan	Finance
Provincial Judges and Masters in Chambers (Unregistered) Pension Plan	Finance
Public Service Management (Closed Membership) Pension Plan	Finance
Public Service Pension Plan	Finance
Special Areas Trust Account	Municipal Affairs and Housing
Special Forces Pension Plan	Finance
Supplementary Retirement Plan for Public Service Managers	Finance
Workers' Compensation Board	Employment, Immigration and Industry